

GOODRICH CORP  
Form DEF 14A  
March 10, 2011

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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

**Goodrich Corporation**

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(Name of Registrant as Specified In Its Charter)

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**2011  
Annual Meeting  
of Shareholders  
and  
Proxy Statement**

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Four Coliseum Centre  
2730 West Tyvola Road  
Charlotte, North Carolina 28217

**NOTICE TO SHAREHOLDERS**

THE ANNUAL MEETING OF SHAREHOLDERS of Goodrich Corporation, a New York corporation, will be held at Goodrich's headquarters, Four Coliseum Centre, 2730 West Tyvola Road, Charlotte, North Carolina on April 19, 2011, at 10:00 a.m. Eastern Time to:

1. Elect as directors the nine nominees named in the attached Proxy Statement to hold office until the next Annual Meeting of Shareholders and until their respective successors are elected and qualified.
2. Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year 2011.
3. Approve the Goodrich Corporation 2011 Equity Compensation Plan.
4. Adopt a resolution approving, on an advisory basis, the compensation paid to the Company's named executive officers, as disclosed, pursuant to Item 402 of Regulation S-K, in the Proxy Statement.
5. Select, on an advisory basis, the frequency of future shareholder advisory votes to approve the compensation of our named executive officers.
6. Transact such other business as may properly come before the meeting.

Information with respect to these matters is contained in the Proxy Statement attached to this Notice.

The Board of Directors has fixed February 28, 2011 as the record date for determining shareholders entitled to notice of and to vote at the meeting. Only holders of record at the close of business on that date shall be entitled to notice of and to vote at the meeting or any adjournment thereof.

A proxy for use at the meeting in the form accompanying this Notice is hereby solicited on behalf of the Board of Directors from holders of Common Stock. Shareholders may withdraw their proxies at the meeting should they be present and desire to vote their shares in person, and they may revoke their proxies for any reason at any time prior to the voting thereof.

**It is important that every shareholder be represented at the meeting regardless of the number of shares owned. To minimize expense associated with collecting proxies, please execute and return your proxy promptly.**

By Order of the Board of Directors

Frank DiPiero  
*Secretary*

Dated March 10, 2011

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on April 19, 2011. Our 2011 Notice of Annual Meeting and Proxy Statement and 2010 Annual Report to Shareholders are available at [www.goodrich.com/proxymaterials](http://www.goodrich.com/proxymaterials).**

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**GENERAL INFORMATION**

**The accompanying proxy is solicited on behalf of the Board of Directors of Goodrich Corporation.** Our 2011 Annual Meeting of Shareholders will be held at our corporate headquarters, Four Coliseum Centre, 2730 West Tyvola Road, Charlotte, North Carolina at 10:00 a.m. Eastern Time on April 19, 2011.

All shareholders of record of our Common Stock at the close of business on February 28, 2011 are entitled to notice of and to vote at the Annual Meeting. There were 125,156,689 shares outstanding and entitled to vote on such date, and each share is entitled to one vote. There are no cumulative voting rights.

Shareholders have a choice of voting by proxy over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage-paid envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. Please be aware that if you vote over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible. The Internet and telephone voting facilities for shareholders of record will close at 11:59 p.m. Eastern Time on April 18, 2011.

When you vote by proxy, your shares will be voted according to your instructions. You can revoke your proxy at any time before it is exercised by written notice to our Secretary, timely delivery of a properly executed, later-dated proxy (including an Internet or telephone vote) or voting by ballot at the Annual Meeting. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the Annual Meeting.

Proxies for shares of Common Stock will also represent shares held under our Dividend Reinvestment Plan. Proxies will also be considered to be voting instructions to the plan trustee with respect to shares held in accounts under the Goodrich Corporation Employees Savings Plan. We have been advised that voting instructions from plan participants must be received by not later than 11:59 p.m. Eastern Time on April 15, 2011 in order to be included in the final voting instruction tabulation provided to the plan trustee.

We will pay the expense of soliciting these proxies. In addition to using the mails and the Internet, our officers, directors and employees may solicit proxies personally, by telephone or by facsimile. We will reimburse brokers and others holding shares in their names, or in the names of nominees, for their expenses in sending proxy material to the beneficial owners of such shares and obtaining their proxies. We have retained Phoenix Advisory Partners, 110 Wall Street, 27th Floor, New York, NY 10005, to assist us in soliciting proxies from shareholders, including brokers, custodians, nominees and fiduciaries, and will pay that firm fees estimated at \$10,000 for its services, plus the firm's expenses and disbursements.

The approximate date on which we will begin mailing this Proxy Statement, the accompanying proxy and our 2010 Annual Report, including financial statements, to shareholders is March 10, 2011.

As permitted by rules recently adopted by the SEC, we are making this Proxy Statement and our 2010 Annual Report available on our Internet site at [www.goodrich.com/proxymaterials](http://www.goodrich.com/proxymaterials). If you received a separate notice by mail informing you of the availability of these materials on this Internet site, you will not receive a printed copy of the proxy materials in the mail unless you request to receive these materials. Instead, the notice instructs you how to access and review all of the important information in the Proxy Statement and 2010 Annual Report. The notice also instructs you how to submit your vote over the Internet. If you received a notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials in the notice.



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If you received a printed copy of the proxy materials, the Company now offers the opportunity to electronically receive future proxy statements and annual reports over the Internet. By using these services, you are not only able to access these materials more quickly than ever before, but you are helping the Company reduce printing and postage costs and helping to preserve environmental resources. Online services are available to our registered and beneficial shareholders who have active email accounts and Internet access. Registered shareholders maintain shares in their own names. Beneficial shareholders have shares deposited with a bank or brokerage firm. To view a listing of participating brokerage firms or to enroll in the program, please go to <http://enroll.icsdelivery.com/gr> and click on the appropriate selection. If you have accounts with multiple brokers, you will need to complete the process for each brokerage account. Upon completion of your enrollment, you will receive an email confirming your election to use the online services. Your enrollment in the online program will remain in effect as long as your account remains active or until you cancel it. If you are a current employee with a Company provided e-mail address, you will automatically receive proxy statements and annual reports over the Internet unless you notify the Company of your decision to receive paper copies in the mail.

Our principal executive offices are located at Four Coliseum Centre, 2730 West Tyvola Road, Charlotte, North Carolina 28217.

Unless the context otherwise requires, the terms we, our, us, Goodrich and the Company as used in this Proxy Statement refer to Goodrich Corporation.

### **VOTE REQUIRED FOR APPROVAL**

The presence, in person or by proxy, of the holders of a majority of the shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum. Withheld votes, abstentions and broker non-votes are counted as present and entitled to vote for purposes of constituting a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received voting instructions from the beneficial owner.

If you are a beneficial shareholder and your broker holds your shares in its name, the rules of the New York Stock Exchange permit your broker to vote your shares on the ratification of the appointment of our independent registered public accounting firm, even if the broker does not receive voting instructions from you. However, under the rules of the New York Stock Exchange, your broker cannot vote your shares on the other proposals if you do not timely provide instructions for voting your shares.

For Proposal 1, the nine nominees for director receiving a plurality of the votes cast at the Annual Meeting in person or by proxy shall be elected. This means that the director nominee with the most votes for a particular slot is elected for that slot. Only votes for affect the outcome.

Our Guidelines on Governance set forth our procedures if a director nominee is elected, but receives a majority of withheld votes. In an uncontested election, any nominee for director who receives a greater number of withheld votes than votes for in such election is required to tender his or her resignation following certification of the shareholder vote. The Committee on Governance is required to make recommendations to the Board with respect to any such letter of resignation. The Board is required to take action with respect to this recommendation and to publicly disclose the decision and the rationale for the decision.

Ratification of the appointment of our independent registered public accounting firm (Proposal 2) and the vote on the Goodrich Corporation 2011 Equity Compensation Plan (Proposal 3) will be decided by a majority of the votes cast for or against each proposal at



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the Annual Meeting, provided that with respect to the approval of the Goodrich Corporation 2011 Equity Compensation Plan the number of votes cast on the proposal is at least a majority of the shares entitled to vote on the proposal. Abstentions and, if applicable, broker non-votes are not counted as votes for or against these proposals.

The advisory vote on executive compensation (Proposal 4) and the advisory vote on the frequency of future votes on executive compensation (Proposal 5) are non-binding, as provided by law. Our Board, however, will review the results of the votes and, consistent with our record of shareholder engagement, will take them into account in making a determination concerning the advisory vote on executive compensation and the frequency of such future advisory votes. Approval, on an advisory basis, of the compensation of our named executive officers (Proposal 4) will be decided by a majority of the votes cast for or against the proposal. The outcome of the advisory vote on the frequency of future advisory votes on executive compensation (Proposal 5) will be decided by plurality vote, with the option that receives the greatest number of votes (every one, two or three years) being considered the non-binding preference selected by shareholders. Abstentions are not counted as votes for or against these proposals.

**PROPOSALS TO SHAREHOLDERS**

**1. ELECTION OF DIRECTORS**

One of the purposes of the Annual Meeting is the election of nine directors to hold office until the next annual meeting of shareholders in 2012 and until their respective successors are elected and qualified. The nine nominees for election as a director are named on the following pages. All of them are now directors whose terms expire at the 2011 Annual Meeting.

George A. Davidson and Douglas E. Olesen, who are each currently serving as a director, will be retiring from our Board of Directors as of the date of the Annual Meeting pursuant to the retirement provisions of our Guidelines on Governance. The Board has not named nominees to succeed these directors. While Mr. Holland has also reached the retirement age of 72, the Board has voted to waive the mandatory retirement age for Mr. Holland and to nominate him for election to the Board at the 2011 Annual Meeting. In light of these retirements and pursuant to the Company's By-Laws, the Board of Directors has adopted a resolution reducing the size of the Board to nine effective upon the date of the Annual Meeting. Accordingly, only nine directors may be elected at the Annual Meeting.

All nominees have indicated that they are willing to serve as directors if elected. If any nominee should be unable or unwilling to serve, the proxies will be voted for the election of such person as may be designated by our Board of Directors to replace such nominee.

**The Board recommends that you vote FOR the election of these nominees for director.**

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**NOMINEES FOR ELECTION AND THEIR QUALIFICATIONS**

CAROLYN CORVI, age 59 Director since June 1, 2009.

**Retired Vice President and General Manager of Airplane Programs, Commercial Airplanes, The Boeing Company**, a leading aerospace company and largest manufacturer of commercial jetliners and military aircraft combined. Ms. Corvi has a Bachelor of Arts degree in History from the University of Washington and a Master of Science in Management from Massachusetts Institute of Technology, Sloan School of Management. Ms. Corvi joined Boeing in 1974 and spent her career at Boeing building high performing organizations focused on aircraft production. From 2005 until her retirement in December 2008, Ms. Corvi held the position of Vice President and General Manager of Airplane Programs, Commercial Airplanes. Ms. Corvi currently serves on the Board of Directors of United Continental Holdings, Inc. She also serves on Virginia Mason Medical Center's Health System Board of Directors, is the co-founder of the Northwest Children's Fund and is a member of the Honorary Advisory Cabinet, Highline Public Schools Aviation High School.

Ms. Corvi's qualifications to serve on the Board include her extensive knowledge of the commercial aircraft industry, including commercial aircraft development, production and supply chain management, developed during her 34 years at Boeing. Ms. Corvi possesses a deep understanding, from the perspective of an important customer of the Company, of the challenges faced by a commercial aircraft manufacturer.

DIANE C. CREEL, age 62 Director since December 22, 1997.

**Retired Chairman, Chief Executive Officer and President, Ecovation, Inc.**, a wastewater management systems company that was acquired by Ecolab in February 2008. Ms. Creel holds a Bachelor of Arts degree and a Master of Arts degree from the University of South Carolina. Ms. Creel was Chairman, Chief Executive Officer and President of Ecovation, Inc. from May 2003 to September 2008. Prior to joining Ecovation, Ms. Creel served as Chief Executive Officer and President of Earth Tech from January 1993 to May 2003, Chief Operating Officer from 1987 to 1993 and Vice President from 1984 to 1987. Ms. Creel was director of business development and communications for CH2M Hill from 1978 to 1984, manager of communications for Caudill Rowlett Scot (Houston, Texas) from 1976 to 1978, and director of public relations for LBC&W, Architects-Engineers-Planners, Columbia, South Carolina from 1971 to 1976. Ms. Creel currently serves on the Board of Directors of Allegheny Technologies and EnPro Industries, Inc.

Ms. Creel's extensive senior management experience, including her service as CEO of two companies for a combined fifteen years, allows her to provide the Board meaningful guidance with respect to mergers and acquisitions, environmental matters, corporate governance, strategic planning, finance, and executive compensation and benefits.

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HARRIS E. DELOACH, JR., age 66 Director since April 17, 2001.

**Chairman and Chief Executive Officer, Sonoco Products Company**, a worldwide, vertically integrated packaging company. Mr. DeLoach holds a Bachelor of Arts degree in Business Administration and a Juris Doctor degree from the University of South Carolina. Mr. DeLoach was named President and Chief Executive Officer of Sonoco Products Company in July 2000 and Chairman in April 2005. Previously, he was Senior Executive Vice President and Chief Operating Officer from 1999 to 2000, Executive Vice President from 1996 to 1999 and Group Vice President from 1993 to 1996. He joined Sonoco in 1985. Mr. DeLoach is a director of Sonoco Products Company and Progress Energy Corporation. He also serves on the Board of Directors of the Palmetto Institute, and is a member of the University of South Carolina Business Partnership Foundation, a member of the Board of Directors of the South Carolina Governor's School for Science and Mathematics Foundation, and the past Chairman of the South Carolina Chamber of Commerce.

Mr. DeLoach's senior executive positions at Sonoco Products Company, including his current role as Chairman and Chief Executive Officer, which he has held for the past ten years, gives him critical knowledge of the management, financial and operational requirements of a large, public manufacturing company. Mr. DeLoach brings to the Board significant leadership capabilities as well as an in-depth knowledge of mergers and acquisitions, corporate governance and finance. Mr. DeLoach's extensive knowledge of accounting and his financial expertise are utilized in his role as Chair of the Audit Review Committee.

JAMES W. GRIFFITH, age 57 Director since July 15, 2002.

**President and Chief Executive Officer, The Timken Company**, a global leader in friction management and power transmission products and services. Mr. Griffith earned his Bachelor of Science degree in Industrial Engineering and his Master of Business Administration from Stanford University. He joined The Timken Company in 1984. From 1984 to 1999 he held a wide range of positions in several areas of the company, including international operations and strategic management. He was elected President and Chief Operating Officer in 1999 and President and Chief Executive Officer in July 2002. Mr. Griffith is on the Board of Directors of The Timken Company, Chairman of the Board of MAGNet, and the U.S. China Business Council, serves as President for the World Bearing Association, and is a member of the Board of Trustees of The University of Mount Union.

Mr. Griffith's qualifications to serve on the Board include his extensive business experience, skills and acumen developed during his career at The Timken Company, including as President and Chief Executive Officer for the past eight years. He brings substantial manufacturing and international experience to the Board. In addition, Mr. Griffith possesses in-depth knowledge of executive compensation and benefits practices, which he utilizes as Chair of the Compensation Committee.

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WILLIAM R. HOLLAND, age 72 Director since July 12, 1999.

**Retired Chairman, United Dominion Industries Limited**, a diversified manufacturing company that was acquired by SPX Corporation in May 2001. Mr. Holland has Bachelor of Arts and Juris Doctor degrees from the University of Denver. He joined United Dominion in 1973 as Vice President and General Counsel. He held various executive positions with United Dominion, including Chief Executive Officer from 1986 to 2000 and Chairman from 1987 to 2001. Mr. Holland is Chairman and a director of EnPro Industries, Inc. and a director of Snyder's-Lance Inc. He is a director of Crowder Construction Company, ERC, Inc., the Carolinas Healthcare System Foundation, Charlotte, North Carolina, a corporate member of the Jupiter, Florida Medical Center and a member of the Advisory Board of the Walker School of Business, Appalachian State University, Boone, North Carolina. He was named as an Outstanding Director in 2008 by the Outstanding Directors Institute.

Mr. Holland's qualifications to serve as a member of the Board of Directors includes his extensive business experience, skill and acumen developed during his career at United Dominion, which included his service as Chief Executive Officer for 14 years as well as during his service on the Boards of several public companies, including Mr. Holland's service as the non-executive Chairman of EnPro Industries, Inc. since 2002. Mr. Holland's legal background, as well as his understanding of corporate governance and financing, provides the Board of Directors with a unique perspective on many of the issues that face our Company and makes him a valuable member of a well-rounded Board of Directors.

JOHN P. JUMPER, age 66 Director since December 5, 2005.

**Retired Chief of Staff, United States Air Force.** General Jumper retired from the United States Air Force in 2005 after a distinguished 39-year military career. As Chief of Staff, he served as the senior military officer in the Air Force and was a member of the Joint Chiefs of Staff providing military advice to the Secretary of Defense, the National Security Council and the President. From 2000-2001 General Jumper served as Commander, Air Combat Command. During the 1999 war in Kosovo and Serbia he commanded U.S. Air Forces in Europe and Allied Air Forces Central Europe. In earlier assignments he served on the Joint Staff and as Senior Military Assistant to Secretaries of Defense Dick Cheney and Les Aspin. General Jumper holds a degree in electrical engineering from the Virginia Military Institute and a Master of Business Administration from Golden Gate University in San Francisco. He currently serves on the boards of SAIC, Inc. and Jacobs Engineering Group, Inc., as well as on the non-profit boards of The Marshall Foundation, The Air Force Village Charitable Foundation, The American Air Museum in Britain and the Board of Visitors of the Virginia Military Institute. General Jumper also served on the Board of Directors of TechTeam Global, Inc. and Somanetics Corporation within the last five years.

During his illustrious military career, General Jumper gained a unique perspective on military strategy and defense industrialization, both in the U.S. and globally, managed significant operating budgets, and addressed complex operational and strategic issues, all of which positions him to deliver important insight and guidance to the Company's Board.





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MARSHALL O. LARSEN, age 62 Director since April 16, 2002.

**Chairman, President and Chief Executive Officer, Goodrich Corporation.**

Mr. Larsen received a Bachelor of Science in Engineering from the U.S. Military Academy and a Master of Science in Industrial Administration from the Krannert Graduate School of Management at Purdue University. He joined Goodrich in 1977 as an Operations Analyst. In 1981, he became Director of Planning and Analysis and subsequently Director of Product Marketing. In 1986, he became Assistant to the President and later served as General Manager of several divisions of Goodrich's aerospace business. He was elected a Vice President of Goodrich and named a Group Vice President of Goodrich Aerospace in 1994 and was elected Executive Vice President of Goodrich and President and Chief Operating Officer of Goodrich Aerospace in 1995. He was elected President and Chief Operating Officer of Goodrich in February 2002, Chief Executive Officer in April 2003 and Chairman in October 2003. Mr. Larsen is a member of the Board of Governors of the Aerospace Industries Association, the Business Council, and the Business Roundtable and is a director of Becton, Dickinson & Co. and Lowe's Companies, Inc. He is active in numerous community activities.

Mr. Larsen's qualifications to serve on the Board includes his extensive business experience, skills and acumen developed over the past 33 years with the Company, during which he has held a wide range of leadership positions, including Chairman, President and Chief Executive Officer for the past eight years. He has in-depth knowledge of all aspects of the Company and a deep understanding and appreciation of its customers, business operations and Company culture. His service at the Company, combined with his service on other public company boards, provides him with valuable insight into the governance and management issues facing large public companies.

LLOYD W. NEWTON, age 68 Director since December 11, 2006.

**General, United States Air Force (Ret.) and Retired Executive Vice President, Pratt & Whitney Military Engines,** a leading manufacturer of engines for military and civilian aircraft. General Newton retired from the United States Air Force in August 2000 after a distinguished 34-year career. He culminated his Air Force career as a four-star General and was Commander, Air Education and Training Command, which command consisted of 13 bases, 43,000 active duty personnel and 14,000 civilians. In April 2005 he was appointed by the President to serve as a commissioner on the Defense 2005 Base Realignment and Closure Commission. General Newton joined Pratt & Whitney Military Engines in September 2000 as Vice President where he was responsible for all aspects of business development, customer requirements, support and services. He retired from Pratt & Whitney in March 2006 as Executive Vice President. General Newton received a Bachelor of Science degree in Aviation Education from Tennessee State University in 1966. In 1985, he received a Master of Arts degree in Public Administration from George Washington University. He currently serves on the Board of Directors of Sonoco Products Company and Torchmark Corporation, as well as on the non-profit Board of the National Business Aircraft Association.

Based on his combined 40 years' experience in the military and at Pratt & Whitney, an important customer of the Company, General Newton brings proven leadership and

management skills to the Board as well as an in-depth knowledge of the U.S. military and aerospace industry. General Newton also has gained a strong understanding of public company governance and operations through his service on three public company boards.

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ALFRED M. RANKIN, JR., age 69 Director since April 18, 1988.  
**Chairman, President and Chief Executive Officer, NACCO Industries, Inc.**, an operating holding company with interests in the mining and marketing of lignite, manufacturing and marketing of forklift trucks, and the manufacturing and marketing of small household electric appliances. Mr. Rankin holds a Bachelor of Arts degree in Economics from Yale University, and a Juris Doctor degree from the Yale Law School. He joined NACCO Industries in April 1989 as President and Chief Operating Officer and became President and Chief Executive Officer in May 1991. He assumed the additional title of Chairman in May 1994. Previously, Mr. Rankin served in a number of management positions with Eaton Corporation, with the most recent being Vice Chairman and Chief Operating Officer from April 1986 to April 1989. He is a director of NACCO Industries, Inc., NMHG Holding Co. and The Vanguard Group. He is a director and Chairman of the Federal Reserve Bank of Cleveland and a trustee and president of the Cleveland Museum of Art. He is a trustee of The Greater Cleveland Partnership, the Musical Arts Association and University Hospitals of Cleveland.

Mr. Rankin's experience as Chairman, President and Chief Executive Officer of NACCO Industries, Inc., as well as previous senior management positions, provide him with extensive knowledge of the complex financial, operational and governance issues faced by a large public company. Mr. Rankin also brings to the Board significant expertise in a business strategy, mergers and acquisitions and financial reporting. His extensive Board experience, as well as his service as Chair of Goodrich's Committee on Governance, gives him broad-based corporate governance expertise and a deep knowledge of our Company's governance culture and history.

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**OTHER NOMINEES**

Under our By-Laws, nominations of persons for election to the Board of Directors may be made at an annual meeting of shareholders by any shareholder who was a shareholder of record at the time of giving the notice described below, who is entitled to vote at such meeting and who complies with the notice procedures set forth in the By-Laws.

For a nomination to be properly brought before an annual meeting of shareholders, the shareholder must have given timely notice thereof in writing to our Secretary. To be timely, the shareholder's notice must have been sent to, and received by, our Secretary at our principal executive offices generally not less than 90 nor more than 120 days prior to the first anniversary of the preceding year's annual meeting. For the 2012 Annual Meeting, such notice must be received between December 21, 2011 and January 20, 2012. Each such notice must include among other things:

the name, age, and principal occupation or employment of each proposed nominee and a brief description of any arrangement or understanding between the nominee and others relating to why he or she was selected as a nominee, in addition to any other information required by the SEC's proxy regulations;

the proposed nominee's written consent to serve as a director if elected;

the name and address of the shareholder proposing the nominee as well as any other shareholders believed to be supporting such nominee;

the number of shares of each class of Goodrich stock owned by such shareholders; and

a description of all ownership interests in the shares identified, including derivative securities, hedged positions and other economic and voting interests.

No person nominated by a shareholder at the Annual Meeting is eligible for election as a director unless nominated in accordance with the procedures contained in the By-Laws. See Appendix A for the full text of the relevant section of the By-Laws. Because no notice of nomination was provided in accordance with these procedures with respect to the Annual Meeting to be held on April 19, 2011, the only nominees for election as directors at that meeting are the nine nominees listed above.

**2. RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Review Committee of our Board of Directors has appointed the firm of Ernst & Young LLP, subject to ratification by the shareholders at the Annual Meeting, to serve as our independent registered public accounting firm for the year 2011. Should Ernst & Young LLP be unable to perform these services for any reason, the Audit Review Committee will appoint another independent registered public accounting firm to perform these services.

Representatives of the firm of Ernst & Young LLP, our independent registered public accounting firm for the most recently completed fiscal year, are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions from shareholders.

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The following is a summary of the fees billed to us by Ernst & Young LLP for professional services rendered for 2010 and 2009:

	<b>2010</b>	<b>2009</b>
	<b>(In millions)</b>	
Audit Fees	\$ 6.31	\$ 6.79
Audit-Related Fees	0.40	0.40
Tax Fees	0.32	0.72
All Other Fees	0.12	0.01
<b>Total Fees</b>	<b>\$ 7.15</b>	<b>\$ 7.92</b>

*Audit Fees.* Audit fees consist of fees billed by Ernst & Young LLP for professional services rendered for the audit of our financial statements, the review of financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by them in connection with statutory and regulatory filings or engagements for those years. Audit fees also include the audit of the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002.

*Audit-Related Fees.* Audit-related fees consist of fees billed by Ernst & Young LLP for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under *Audit Fees* above. Audit-related fees included fees for employee benefit plan audits, acquisition/divestiture assistance, accounting consultation and audits of a joint venture.

*Tax Fees.* Tax fees consist of fees billed by Ernst & Young LLP for tax services, including tax advice and tax planning.

*All Other Fees.* All other fees consist of fees related to products and services provided by Ernst & Young LLP, other than those reported above under *Audit Fees*, *Audit-Related Fees* and *Tax Fees*. For 2010 and 2009, all other fees represents fees billed by Ernst & Young LLP for miscellaneous services.

None of the services represented by the fees set forth in the above table were provided in accordance with the *de minimis* exception to Audit Review Committee approval that appears in Rule 2-01(c)(7)(i)(C) of Regulation S-X.

**Audit Review Committee Pre-Approval Policy**

The Audit Review Committee of our Board of Directors must review and pre-approve all audit and non-audit services performed by our independent registered public accounting firm. In conducting such reviews, the Audit Review Committee will determine whether the provision of non-audit services would impair the firm's independence. The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Review Committee specifically provides for a different period.

Requests or applications to provide services that require pre-approval by the Audit Review Committee are submitted by both the independent registered public accounting firm and management and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence. Detailed

back-up documentation must be provided in connection with each request or application.

The Audit Review Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated must report any pre-approval decisions to the Audit Review Committee at its next scheduled meeting. The Audit

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Review Committee does not delegate to management its responsibilities to pre-approve services performed by the independent registered public accounting firm.

The full text of the Audit Review Committee pre-approval policy is available on the corporate governance page of our Internet site at [www.goodrich.com/governance](http://www.goodrich.com/governance).

## **Vote Required**

Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year 2011 will be decided by a majority of the votes cast for or against the proposal at the Annual Meeting.

**The Board of Directors recommends that you vote FOR ratifying this appointment.**

### **3. APPROVAL OF THE GOODRICH CORPORATION 2011 EQUITY COMPENSATION PLAN**

The Board is submitting a proposal for approval by the shareholders to approve our 2011 Equity Compensation Plan (the Plan), which replaces the Equity Compensation Plan originally approved by shareholders in 2001 and amended and restated in 2005 and 2008 (the 2001 Plan ).

The 2001 Plan, by its terms, will expire on April 17, 2011. The Board believes that the 2001 Plan has been an important factor in attracting, keeping and motivating key employees, and further believes that this type of incentive should continue to be offered in the future. As a result, the Board proposes and recommends approval of the Plan to replace the 2001 Plan.

If the Plan is approved by shareholders, we will not issue any additional awards under the 2001 Plan. However, unused shares under the 2001 Plan will carry over to the new Plan and be available for the grant of awards under the Plan, as described below.

The Plan, which would allow awards to be granted beginning April 19, 2011 (the Effective Date ) through April 18, 2021, is similar to the 2001 Plan. A summary of the Plan appears below. This summary is qualified in its entirety by reference to the text of the Plan, which is included as Appendix B to this proxy statement.

#### **Shares Available for Plan**

The Plan makes 2,825,000 shares of our common stock available for grant, together with approximately 1,000,000 shares of common stock available as of the Effective Date for future awards under the 2001 Plan and any shares of common stock represented by outstanding 2001 Plan awards as of the Effective Date that are not issued or otherwise are returned to us after that date. Such shares may be either authorized but unissued shares or treasury shares. The closing price of our common stock on the New York Stock Exchange on January 31, 2011 was \$90.62.

Any shares in respect of which awards have been forfeited, lapsed, expired, been canceled, settled in cash, or otherwise been returned to us shall again be available for awards under the Plan. Awards payable solely in cash will not reduce the number of shares of common stock available for awards under the Plan.

#### **Plan Administration**

The Plan is administered by the Compensation Committee of the Board of Directors. The Committee shall consist of at least three members who shall not be eligible to participate in the Plan. The Committee is comprised solely of independent directors.





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### **Eligibility**

Awards under the Plan may be granted to any salaried, full-time employee of the Company or any subsidiary corporation (or other business entity) of which 50% or more of the stock (or other equitable interest) is owned by the Company. Directors who are also officers or employees may be granted awards under the Plan, but directors who are not also our employees are not eligible to participate. The Committee has discretion to determine which of the eligible employees will currently satisfy the eligibility requirements of the Plan. We estimate that approximately 16,000 employees currently satisfy the eligibility requirements of the Plan.

### **Stock Options**

The Committee may grant options to purchase our common stock at not less than fair market value on the date of grant. The Plan specifically prohibits the repricing of options after they are granted, or the exchange or swapping of lower priced options for higher priced options.

The Plan provides for the grant of stock options that qualify as incentive stock options under the Internal Revenue Code of 1986, as amended, as well as stock options that do not qualify for such treatment. The Plan also permits the granting of other statutory stock options pursuant to any future provisions of the Internal Revenue Code. The federal income tax treatment of Incentive Stock Options is generally more favorable to optionees than the treatment accorded other options. It is also less favorable to the Company because the Company will generally not receive a tax deduction with respect to Incentive Stock Options. (See Federal Income Tax Treatment below.) Under current law, the maximum amount of Incentive Stock Options that may be granted to an individual that are exercisable for the first time during any calendar year may not exceed \$100,000 in aggregate fair market value.

The Plan provides that, subject to certain limitations with respect to the price and term of options and rights upon termination of employment, discussed below, the Committee shall have the authority in its discretion to specify all other terms and conditions relating to stock options. The Committee may, in its discretion, grant options to purchase our common stock to the officers and other salaried employees of the Company or its subsidiaries (including Directors who are also officers or employees but not to Directors who are not our employees). It may also determine the term of each option, which may not exceed 10 years from the date of grant, and may permit payment upon exercise to be made in Company common stock owned by the optionee, valued at the fair market value on the date of exercise, or other acceptable forms of consideration equal in value to the option price. The Committee may place limitations on the pyramiding of shares in payment of the option price.

### **Stock Appreciation Rights**

The Plan also authorizes the Committee to grant stock appreciation rights, either in connection with any option granted by the Committee or separately. A stock appreciation right would, subject to the terms and conditions set forth in the Plan, allow an employee to surrender the related stock option (or separate stock appreciation right) and receive payment for the difference between the stock option price (or base price in the case of a separate stock appreciation right) and the price of the Company's common stock on the date on which the appreciation right is exercised. Such payment may, in the sole discretion of the Committee, be made in either stock or cash or in any combination thereof.

Stock appreciation rights that are granted in tandem with a related stock option may only be granted at the time of the granting of the related stock option. The number of stock appreciation rights granted shall not exceed the number of shares that may be purchased upon the exercise of the related options and shall be exercisable only so long as the related options are exercisable.



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Although the Committee has authority to issue stock appreciation rights, as it did under the 2001 Plan, the Committee has not granted stock appreciation rights since the Securities and Exchange Commission modified the rules relating to the short swing profit liability provisions of the Securities Exchange Act of 1934 with respect to the exercise and sale of stock options by executive officers in 1991. The Committee has no present intentions of granting stock appreciation rights.

### **Performance Share and Performance Unit Awards**

The Committee may award performance shares (payable in shares of common stock) and performance units (payable either in cash or shares of common stock) which are contingent upon the attainment of performance objectives. The Plan provides that the performance objectives which may be used are operating income; net income; earnings (including earnings before interest, taxes, depreciation and/or amortization); earnings per share; sales; costs; profitability of an identifiable business unit or product; maintenance or improvement of profit margins; cost reduction goals; operating cash flow; free cash flow (operating cash flow less capital expenditures); working capital; improvements in capital structure; debt reduction; credit ratings; return on assets; return on equity; return on invested capital; stock price; total shareholder return; completion of joint ventures, divestitures, acquisitions or other corporate transactions; new business or expansion of customers or clients; strategic plan development and implementation; succession plan development and implementation; customer satisfaction indicators; employee metrics; or other objective individual or team goals.

The performance objectives may relate to the Company, on an absolute basis and/or relative to one or more peer group companies or indices, or to a particular participant, subsidiary, division or operating unit, or any combination of the foregoing, all as the Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto), the Committee may adjust, modify or amend the above criteria, either in establishing any performance objective or in determining the extent to which any performance objective has been achieved. Without limiting the generality of the foregoing, the Committee shall have the authority, at the time it establishes the performance objectives, to make equitable adjustments in the criteria in recognition of unusual or non-recurring events, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a business or related to a change in accounting principles, or as the Committee determines to be appropriate to reflect a true measurement of the performance of the Company or any subsidiary, division or operating unit, as applicable, and to otherwise satisfy the objectives of the Plan.

### **Restricted Stock and Restricted Stock Unit Awards**

The Committee may award restricted stock or restricted stock units that are subject to conditions including continued employment with the Company. Restricted stock or restricted stock unit awards that are conditioned upon continued employment are generally conditioned upon continued employment for a minimum period of three years following the award, except in the case of death, disability, retirement, or change in control.

### **Other Awards**

The Plan permits the Committee to make other types of awards, including awards (such as phantom shares) that are based in whole or in part on the value of the Company's common stock, in lieu of making awards in actual shares of stock ( Other Awards ).

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### **Dividends and Voting**

The Plan provides that, except with respect to stock options and stock appreciation rights, the Committee may permit a participant to receive or accrue dividends with respect to such awards under such terms and conditions as the Committee may deem appropriate. In addition, the Committee may permit a participant to vote or execute proxies with respect to shares awarded to a participant under such terms and conditions as the Committee may deem appropriate.

### **Miscellaneous**

The maximum number of shares of Common Stock that may be issued pursuant to performance share awards, performance unit awards, restricted stock awards, restricted stock unit awards, and Other Awards is 2,000,000 shares.

No individual may receive awards for more than 500,000 shares in any calendar year. No individual may receive awards under the plan paid in cash having an aggregate dollar value in excess of \$10 million.

The Plan authorizes the delegation of authority with respect to up to 10% of the shares authorized under the Plan to our Chief Executive Officer and other officers, but only with respect to participants who are not subject to Section 16 of the Securities Exchange Act of 1934.

The Committee has discretion to make such provisions as it deems appropriate with respect to the effect, if any, termination of employment will have on any grants or awards under this plan.

The Committee may require that any Federal, state, or local withholding tax requirements be satisfied by withholding shares of common stock.

The Committee may permit deferral of cash or stock based awards (other than options or stock appreciation rights).

Awards granted under the Plan shall not be transferable other than by will or the laws of descent and distribution, or as the Committee approves. Under no circumstances will a transfer for value of any Award be permitted.

If actual shares are awarded subject to performance objectives, continued service, or other conditions, they may be registered in the participant's name but held by us or be retained in book-entry form. In such event the participant will be entitled to receive all dividends and other distributions and shall have voting rights. Stock awards with respect to which the restrictions are not removed shall be forfeited to us. Any award of restricted stock or restricted stock units that is conditioned upon continued employment shall be conditional upon continued employment for a minimum period of three years following the award, except in the case of death, disability, retirement, or change in control.

If there is a change in corporate capitalization such as a stock split or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization or any partial or complete liquidation of the Company, the Committee or the Board may make such substitution or adjustments in the aggregate number and kind of shares reserved for issuance under the Plan, and the maximum limitation on the number of awards that may be granted to any participant, in the number, kind and option price of shares subject to outstanding stock options and stock appreciation rights, in the number and kind of shares subject to other outstanding awards granted under the Plan and/or such other equitable substitution or adjustments as it may determine to be appropriate in its sole discretion; *provided, however*, that the number of shares subject to any award shall always be a whole number. The time within which options and/or stock appreciation rights may be exercised in full shall be accelerated in the event of a



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change in control which generally is deemed to have occurred if (i) any person becomes the beneficial owner of 20% or more of the common stock or combined voting power of the Company's outstanding securities (subject to certain exceptions), (ii) there generally is a change in the majority of the Directors of the Company, or (iii) certain corporate reorganizations occur where the existing shareholders do not retain at least 70% of the voting securities of the surviving entity. In the event of a change in control, the Committee has the discretion to terminate all outstanding awards in exchange for a payment to the participant in cash in an amount intended to reflect the fair market value of the award at such time.

The Plan is intended to be interpreted, construed, and administered in such manner as to comply with Section 409A of the Code and, to the extent determined by the Committee with respect to any specific award, with Section 162(m) of the Code.

The Plan may be amended by the Board, except that (i) no amendment shall be made without the approval of shareholders which has the effect of (A) increasing the number of shares of stock subject to the Plan, (B) materially increasing the benefits accruing to participants under the Plan, or (C) materially modifying the requirements for participation in the Plan, and (ii) no amendment may adversely affect any rights or obligations with respect to awards previously made unless the action is taken in order to comply with applicable law, stock exchange rules, or accounting rules.

## **Federal Income Tax Treatment**

The following is a summary of the current federal income tax consequences upon the granting and exercise of stock options, stock appreciation rights, restricted stock, and restricted stock unit awards.

*Incentive Stock Options.* An employee who is granted an Incentive Stock Option under the Plan will not be subject to federal income tax upon the grant or exercise of the option. However, the exercise of an Incentive Stock Option is a tax preference item and may be subject to the alternative minimum tax.

In the event of a sale of the shares received upon exercise of an Incentive Stock Option after two years from the date of grant and after one year after the date of exercise (the Holding Period) any appreciation of the shares received above the exercise price should be a capital gain. The current tax rate applicable to long-term capital gains is 15 percent, which rate is scheduled to increase to 20 percent after December 31, 2012. We would not be entitled to a tax deduction with respect to the grant or exercise of an Incentive Stock Option, or with respect to any disposition of such shares after the Holding Period. However, if shares acquired pursuant to the exercise of an Incentive Stock Option are sold by the employee before the end of the Holding Period, any gain on the sale (to the extent such gain does not exceed the excess of the fair market value of the shares on the exercise date over the option price) will be ordinary income for the taxable year in which the sale occurs. Any additional gain will be capital gain. We will be entitled to a tax deduction in the amount of the ordinary income realized by the employee.

*Non-incentive Stock Options.* An employee who is granted a stock option under the Plan that is not an Incentive Stock Option will not be subject to federal tax upon the grant of the option and we will not be entitled to a tax deduction by reason of such grant. Upon exercise of a stock option under the Plan that is not a statutory Incentive Stock Option, the excess of the fair market value of the shares on the exercise date over the option price will be considered compensation taxable as ordinary income to the employee. We may claim a tax deduction in the amount of the taxable compensation realized by the employee.

*Stock Appreciation Rights.* Stock appreciation rights will not result in taxable income to the recipient or a tax deduction for us at the time of grant. The exercise of stock appreciation





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rights will result in compensation taxable as ordinary income to the employee and a tax deduction to us in the amount of any cash paid or the fair market value of any shares issued or transferred.

*Restricted Stock and Other Stock Awards.* Stock awards made without restrictions are treated as compensation to the recipient in the amount of the fair market value of the shares and are deductible by us. Stock awards with restrictions will not be subject to federal tax upon grant and we will not be entitled to a tax deduction upon grant, unless the recipient makes an election under Section 83(b) of the Code to have the award taxed at the time of the grant. Assuming no such election is made, upon lapse of restrictions, the fair market value of shares free of restrictions will be considered compensation taxable as ordinary income to the recipient and we may claim a tax deduction at the same time in the same amount, Dividends paid on shares subject to restrictions will be deemed compensation to the recipient and deductible by us.

*Restricted Stock Unit Awards.* Restricted stock unit awards will not result in taxable income to the recipient or a tax deduction for us at the time of grant. At the time the restriction lapses, and shares are issued to the recipient, such shares will be treated as compensation to the recipient in the amount of the fair market value of the shares at such time and will be deductible by us.

## **Plan Benefits**

It is not presently possible to determine the dollar value of awards that may be made, or the individuals that may be selected for such awards, in the future under the Plan.

Awards under the 2001 Plan in 2010 to the Chief Executive Officer and each of the named executive officers are shown in the [Summary Compensation Table](#) and in the [Grants of Plan-Based Awards](#) table.

Awards under the 2001 Plan in 2010 for all executive officers as a group were as follows: 231,100 stock options, 91,500 restricted stock units and 69,900 performance units. Awards under the 2001 Plan in 2010 for all non-executive officer employees as a group totaled 491,100 stock options, 404,550 restricted stock units and 72,800 performance units. Non-executive directors are not eligible to participate in the Plan.

## **Vote Required**

Approval of the Plan will be decided by a majority of the votes cast for or against the proposal at the meeting.

**The Board of Directors recommends that you vote FOR approval of the Goodrich Corporation 2011 Equity Compensation Plan.**

## **4. ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS**

The Company seeks your advisory vote on the following resolution to approve the compensation of our named executive officers, as disclosed pursuant to Item 402 of Regulation S-K:

Resolved, that the shareholders hereby approve, on an advisory basis, the compensation paid to the Company's named executive officers, as disclosed, pursuant to Item 402 of Regulation S-K, in this Proxy Statement, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

Because your vote is advisory, it will not be binding on the Board or the Company. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.



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The Company regularly seeks shareholder approval of its executive incentive plans. Our shareholders approved the Goodrich Corporation Senior Executive Management Incentive Plan at last year's annual meeting and the Company is seeking approval of the Goodrich Corporation 2011 Equity Compensation Plan at this year's annual meeting. Those incentive plans make up a majority of the pay that the Company provides to our executives.

The Company has a strong record of delivering performance results for our shareholders, customers, and the community. We are one of the largest worldwide suppliers of aerospace components, systems and services to the commercial and general aviation airplane markets. We are also a leading supplier of systems and products to the global defense and space markets. Our executive compensation programs have played a significant role in our ability to drive strong financial results and attract and retain a highly experienced and successful management team.

Our executive team has successfully managed our Company through the growth markets of 2005-2008 and the recent economic downturn in 2009-2010. For the fiscal year ending December 31, 2010, the Company had one of its highest years ever in terms of revenue and earnings per share and net income from continuing operations. Our strong financial performance over the past five fiscal years has been recognized by the market, resulting in a total shareholder return over that period that easily beat the S&P 500 Index and the S&P 500 Aerospace & Defense Index. Our company is poised to deliver strong financial performance in 2011.

As is discussed in the Compensation Discussion and Analysis, we believe that our executive compensation programs are designed to support our Company's business objectives and to attract and retain executive talent.

Our compensation programs are linked to our key business objectives and the drivers of shareholder value.

We monitor the executive compensation programs of companies of similar size and complexity to ensure that our programs are within the competitive range of median compensation opportunities.

**The Board of Directors recommends a vote FOR the resolution to approve the Company's compensation of our named executive officers as disclosed pursuant to Item 402 of Regulation S-K in this Proxy Statement.**

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**5. ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

The following proposal gives our shareholders the opportunity to vote, on an advisory basis, on the frequency with which we include in our proxy statement an advisory vote, similar to Proposal 4 above, to approve or not approve the compensation of our named executive officers. By voting on this proposal, shareholders may indicate whether they prefer that we seek such an advisory vote every one, two, or three years. Pursuant to Section 14A of the Securities Exchange Act of 1934, as amended, we are required to hold at least once every six years an advisory shareholder vote regarding the frequency of the advisory stockholder vote on executive compensation.

For the reasons described below, we recommend that our shareholders select a frequency of every three years, or a triennial vote. A triennial vote will allow shareholders to evaluate our executive compensation program in relation to our long-term performance. One of the core principles of our executive compensation program is to align senior management with our shareholders by encouraging long-term value creation. For example, our named executive officers receive performance unit awards which are tied to stock price performance and the attainment of financial metrics over a three-year period. Similarly, our named executive officers receive restricted stock awards and stock options, both of which vest over a number of years. Therefore, our Board of Directors recommends a triennial vote which would allow our executive compensation programs to be evaluated over a multi-year period.

In addition, a triennial vote will provide the time to thoughtfully respond to shareholder views on executive compensation issues. We carefully monitor our executive compensation program as it is critical to motivating and retaining our employees. We believe that a triennial vote will provide our Compensation Committee with sufficient time to carefully consider any suggested changes to our executive compensation program and to implement any appropriate changes.

Finally, we have a long history of shareholder engagement. We are open to input from our shareholders regarding Board and governance matters, as well as our executive compensation program. We believe our willingness to discuss these issues with our shareholders reduces the need for and value of more frequent advisory votes on executive compensation.

You may cast your vote on your preferred voting frequency by selecting the option of holding an advisory vote on executive compensation every three years, as recommended by the Board of Directors, every two years or every one year, or you may abstain. Your vote is not intended to approve or disapprove the recommendation of the Board of Directors. Rather, we will consider the shareholders to have expressed a preference for the option that receives the most votes.

While we intend to carefully consider the voting results for this proposal, the final vote is advisory in nature and therefore not binding on us, our Board of Directors or the Compensation Committee. Our Board and Compensation Committee value the opinions of all of our shareholders and will consider the outcome of this vote when making future decisions on the frequency with which we will hold an advisory vote on executive compensation.

**The Board of Directors recommends a vote for a frequency of EVERY THREE YEARS for future non-binding shareholder votes on compensation of our named executive officers.**

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**6. OTHER MATTERS**

Our Board of Directors knows of no other matters that may properly be presented to the Annual Meeting. If any other matters do properly come before the Annual Meeting, however, the persons appointed in the accompanying proxy intend to vote the shares represented by such proxy in accordance with their best judgment.

**GOVERNANCE OF THE COMPANY**

Pursuant to the New York Business Corporation Law and our By-Laws, our business is managed under the direction of our Board of Directors. Members of the Board are kept informed of our business through discussions with the Chairman, President and Chief Executive Officer and other officers, through visits to our significant facilities, by reviewing materials provided to them and by participating in meetings of the Board and its committees. In addition, to promote open discussion among our non-management directors, those directors meet in regularly scheduled executive sessions without management participation. These sessions are presided over by the Chair of our Committee on Governance.

**Corporate Governance**

Our Board of Directors has a long-standing commitment to sound and effective corporate governance practices. Our Guidelines on Governance address a number of important governance issues including director independence, qualifications for Board membership, mandatory retirement, majority voting in the uncontested election of directors, Board self-assessment and succession planning. In addition, the Board has for many years had in place formal charters setting forth the powers and responsibilities of each of its standing committees.

**Governance Documents**

We maintain a corporate governance page ([www.goodrich.com/governance](http://www.goodrich.com/governance)) on our Internet site that includes key information about our corporate governance initiatives, including our Guidelines on Governance, the charters for our standing committees and our Business Code of Conduct.

**Business Code of Conduct**

In 2003 our Board of Directors adopted our revised Business Code of Conduct, which sets forth the fundamental legal and ethical principles for conducting all aspects of our business. The code applies to all directors, officers and employees of our company and its subsidiaries, as well as to agents and representatives doing business on our behalf. Our Business Code of Conduct, together with specific policies and procedures, outlines the behavior expected of such individuals in carrying out their daily activities within appropriate ethical and legal standards. Each year, all of our employees are required to complete certain computer-based training modules on specific subject matters contained in our Business Code of Conduct and to certify that they have reviewed and understand the Business Code of Conduct.

**Board of Directors**

Our Board of Directors held ten meetings in 2010. All directors attended 75% or more of the aggregate of the number of Board of Director meetings and meetings of the committees of the Board on which they served.

We typically schedule a Board of Directors meeting in conjunction with our annual meeting of shareholders and expect that our directors will attend absent a valid reason, such as a schedule conflict. All nine of the individuals

standing for election as directors in 2011 attended our 2010 annual meeting of shareholders.

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### **Leadership Structure**

As is stated in the Board of Directors Guidelines on Governance, the Board has no policy with respect to the separation of the offices of Chairman and Chief Executive Officer. As is described in its Guidelines on Governance, the Board believes that this issue is part of the succession planning process and recognizes that there may be circumstances that would lead to the separation of these offices. The Board believes it is in the best interests of the Company for the Board to make such a determination when it considers the selection of a new Chief Executive Officer or at such other times as it deems appropriate.

Marshall Larsen has served as Chief Executive Officer of the Company since April 2003 and as Chairman since October 2003. During 2010, the Board consisted of ten independent directors, as defined by New York Stock Exchange standards, in addition to Mr. Larsen. Further, to promote open discussion among our non-management directors, those directors meet in regularly scheduled executive sessions without management participation. These sessions are led by the Presiding Director who is currently the Chair of our Committee on Governance. The Presiding Director sets the agenda of the executive sessions and takes any follow-up action deemed necessary. The Board believes that the current leadership structure has served the Company well over recent years and that it is the best leadership structure for the Company under the present circumstances.

### **Director Independence; Audit Committee Financial Expert**

Our Board of Directors has determined that each of our directors other than Mr. Larsen, and each of the members of our Audit Review Committee, Committee on Governance and Compensation Committee, has no material relationship with Goodrich (other than in the individual's position as a director) and is an independent director under the New York Stock Exchange director independence standards and the director independence standards set forth in our Guidelines on Governance (which reflect exactly the New York Stock Exchange standards).

The Board has also determined that each of the members of our Audit Review Committee is independent for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934, and that Directors DeLoach, Jumper, Olesen and Rankin are audit committee financial experts as that term is defined in Item 407 of Regulation S-K of the SEC.

The Board based these determinations primarily on a review of the responses of our directors to questions regarding education, employment and compensation history, affiliations and family and other relationships and on discussions with the directors. In making its independence determinations, the Board considered the transactions described below under Policy on Related Party Transactions and for the reasons stated below determined that none of those relationships was material.

### **Policy on Related Party Transactions**

In 2006, our Board of Directors adopted a written policy with respect to related party transactions. The policy requires that all transactions between the Company and a related party, which includes all executive officers and directors and their immediate family members, that exceed \$120,000 and in which the related party has a direct or indirect material interest, be approved or ratified by the Audit Review Committee or by the disinterested members of our full Board of Directors. The policy also applies to entities: (1) owned or controlled by a director, executive officer or their immediate family members; and (2) of which a director, executive officer or their immediate family member serves as a senior officer or director.

For 2010, the Audit Review Committee considered and ratified transactions between the Company and The Timken Company. Director Griffith is President and Chief Executive Officer of





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Timken. Timken's direct sales to the Company during 2010 were approximately \$5.3 million, consisting primarily of bearing products that the Company used in various applications.

In reaching its decision, the Audit Review Committee took into consideration the following factors: Director Griffith received no unique personal benefit from such transactions; the transactions were negotiated at arm's length between the companies with no involvement from Director Griffith; the total amount of sales between the companies is immaterial in comparison to the total revenues of either company; and the amount of such sales is significantly below the levels that would preclude a finding of independence under New York Stock Exchange standards or our Guidelines on Governance.

**Compensation Committee Interlocks and Insider Participation**

In making its independence determinations with respect to Director Griffith, who serves as Chair of the Compensation Committee, the Board considered the transactions described above under Policy on Related Party Transactions and for the reasons stated above determined that the relationship was not material.

**Board Committees**

Our Board of Directors has established five standing committees: the Executive Committee, the Audit Review Committee, the Compensation Committee, the Committee on Governance and the Financial Policy Committee.

The following table shows the current committee membership and the number of meetings each committee held in 2010.

	<b>Executive Committee</b>	<b>Audit Review Committee</b>	<b>Compensation Committee</b>	<b>Committee on Governance</b>	<b>Financial Policy Committee</b>
Carolyn Corvi		X	X		
Diane C. Creel			X		X
George A. Davidson, Jr.			X		X
Harris E. DeLoach, Jr.	X	Chair		X	
James W. Griffith			Chair	X	
William R. Holland				X	Chair
John P. Jumper		X			X
Marshall O. Larsen	Chair				
Lloyd W. Newton			X		X
Douglas E. Olesen		X			X
Alfred M. Rankin, Jr.	X	X		Chair	
Number of Meetings in 2010	0	8	3	5	5

The following is a brief description of the duties of each committee. A more complete description of each committee's functions is contained in its charter, a current copy of which is available on the corporate governance page of our Internet site [www.goodrich.com/governance](http://www.goodrich.com/governance).

*Executive Committee.* The Executive Committee acts on behalf of our Board of Directors between regularly scheduled Board meetings. Our Guidelines on Governance state that it is the view of the Board that the Executive Committee will meet only when formal action is necessary and it is not feasible to convene a special meeting, in

person or by telephone, of the full Board.

*Audit Review Committee.* The Audit Review Committee assists our Board of Directors in its oversight of the integrity of our financial statements, the qualifications and independence of our independent registered public accounting firm, the performance of our internal audit function and independent registered public accounting firm, and our compliance with legal and

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regulatory requirements. This committee has direct responsibility for the selection and appointment of our independent registered public accounting firm.

*Compensation Committee.* The Compensation Committee reviews, analyzes and, in some cases, approves and, in other cases, makes recommendations to our Board of Directors regarding employee and executive compensation, and incentive, equity-based and benefit programs, including compensation for our Chief Executive Officer.

*Committee on Governance.* The Committee on Governance assists our Board of Directors in identifying and recommending individuals to the Board for nomination as Board members, Board assessment and administration, management assessment, reviewing and assessing corporate governance guidelines and principles, and recommends director compensation.

*Financial Policy Committee.* The Financial Policy Committee assists our Board of Directors in reviewing and monitoring our financial planning, financial structure, major financing activities, risk management and insurance programs, investments, dividend policy and retirement plan funding and investment management.

## **Director Nominations and Qualifications**

Our Board of Directors is responsible for nominating members of the Board and for filling vacancies on the Board that may exist between annual meetings of shareholders. The Board has delegated the screening process for new directors to the Committee on Governance.

Our Guidelines on Governance state that candidates nominated for election or re-election to our Board of Directors generally should meet the following qualifications:

Candidates should possess broad training and experience at the policy-making level in business, government, education, technology or philanthropy.

Candidates should possess expertise that is useful to us and complementary to the background and experience of other Board members, so that an optimum balance in Board membership can be achieved and maintained.

Candidates should be of the highest integrity, possess strength of character and the mature judgment essential to effective decision-making.

Candidates should be willing to devote the required amount of time to the work of the Board and one or more of its committees. Candidates should be willing to serve on the Board over a period of several years to allow for the development of sound knowledge of the Company and its principal operations.

Candidates should be without any significant conflict of interest or legal impediment with regard to service on the Board of Directors.

Our current Board members share certain characteristics and attributes that are critical to effective board membership, including: sound and mature business judgment essential to intelligent decision-making; experience at the policy-making level at a business, government or other relevant organization; integrity and honesty; and the ability to collaborate in an effective manner at the board level. In addition, our directors have specific employment and leadership experiences, knowledge and skills that qualify them for service on our Board, as are described in their biographies in this Proxy Statement under the caption **Nominees for Election and Their Qualifications**.

When a vacancy exists on the Board, or when the Board determines to add an additional director, the Committee on Governance seeks out appropriate candidates from various sources, which may include other directors, as well as consultants and search firms to which we pay fees for their assistance in identifying and evaluating candidates. The Committee evaluates all candidates on the basis of the above qualifications and other criteria that may vary from time to

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time. The Guidelines on Governance state that normally only the Chief Executive Officer should be an employee director.

The Committee on Governance considers matters of diversity (including diversity in professional experience and diversity in terms of race, gender, age and background) in evaluating nominees for election as directors, although it does not have a formal policy. The Committee on Governance considers all candidates in the context of the qualifications enumerated above, as well as their complementary experiences, backgrounds and skills, in an effort to maintain a strong and effective Board of Directors.

The Committee on Governance does not have a formal policy on the consideration of director candidates recommended by shareholders. The Board of Directors believes that such a formal policy is unnecessary and that the issue is more appropriately dealt with on a case-by-case basis.

Under our By-Laws, nominations of persons for election to the Board of Directors may be made at an annual meeting of shareholders by any shareholder who has complied with the advance notice provisions of our By-Laws. These advance notice provisions are discussed elsewhere in this proxy statement under the caption Election of Directors Other Nominees .

## **The Board's Role in the Risk Management Process**

The Company has traditionally identified and evaluated risk as part of each business unit's annual strategic planning process. Beginning in 2007, the Company developed and implemented an enterprise risk management program (ERM) which incorporates the business unit risk assessments. The Company's ERM program is a systematic approach to risk assessment and mitigation which is designed to measure, manage and aggregate risks on an enterprise-wide basis. Under the Company's ERM program, management identifies various risks facing the Company and assesses such risks by probability of occurrence and potential impact on free cash flow. Management has the responsibility for developing an action plan to address, mitigate or monitor such risks. Management updates the ERM program annually to reassess existing risk profiles and to identify new types of risk.

While management is responsible for developing and managing the Company's ERM program, the Board provides oversight and review of the process. The Board has delegated oversight of the ERM program to the Financial Policy Committee, with the exception of risk relating to internal control over financial reporting which is the oversight responsibility of the Audit Review Committee. The Vice President and Treasurer of the Company is primarily responsible for administrative management of the Company's ERM program. The CEO and the senior executive management team review and discuss each year's analysis and identification of risk. A report is presented to the Financial Policy Committee and the Audit Review Committee on the annual assessment. As both the Financial Policy Committee and the Audit Review Committee consist of independent directors under New York Stock Exchange standards, the Board's role in risk oversight did not impact the Company's leadership structure. The Compensation Committee, as described in the Compensation Discussion and Analysis, also considered the Company's risks in concluding that the Company's executive compensation program does not encourage our management to take unreasonable risks relating to the Company's business.

## **Communications with Directors**

Shareholders or other interested parties who wish to communicate with our Board of Directors, our non-management directors as a group or any individual director can do so by writing to them, c/o Secretary, Goodrich Corporation, 2730 West Tyvola Road, Charlotte, North Carolina 28217. Our Secretary has been instructed by the Board to promptly forward communications so received to the addressee or addressees.



**Table of Contents****Stock Ownership**

In 2008, the Board adopted a stock ownership policy for non-management directors. Under the policy, each non-management director must maintain shares the value of which equals or exceeds four times the amount of the annual retainer (currently, \$70,000 per year). Common Stock owned outright and shares in the deferred compensation and phantom share plans count towards meeting the stock ownership requirements. New directors have five years following election to satisfy the ownership requirements. All directors with at least five years of service meet the ownership requirements.

**Compensation of Directors**

The Committee on Governance recommends and the Board determines the total compensation of the non-management directors. Each component of director compensation is described in more detail below. Management directors receive no additional compensation for Board service.

The following table sets forth information regarding the compensation of our non-management directors in 2010.

Name (a)	Fees Earned or Paid in Cash (\$)(b)	Stock Awards (\$)(c)(2)	Option Award (\$)(d)	Non-Equity Non-qualified Incentive Compensation		All Other compensation (\$)(4)(5)(g)	Total (\$)(h)
				Plan Compensation (\$)(e)	Change in Pension Value and Deferred Earnings (\$)(3)(f)		
Carolyn Corvi	102,000	90,000				1,062	193,062
Diane C. Creel	93,000	90,000			91	43,466	226,557
George A. Davidson, Jr.	94,500	90,000				45,554	230,054
Harris E. DeLoach, Jr.	117,250	90,000				58,838	266,088
James W. Griffith	104,750	90,000				23,663	218,413
William R. Holland	104,375	90,000				35,061	229,436
John P. Jumper	102,000	90,000				10,164	202,164
Lloyd W. Newton	94,500	90,000				8,242	192,742
Douglas E. Olesen	102,000	90,000				53,280	245,280
Alfred M. Rankin, Jr.	111,875	90,000			80,676	35,121	317,672
A. Thomas Young(1)	22,500	90,000				35,413	147,913

(1) Mr. Young retired from the Board on April 20, 2010.

(2) This column shows the full grant date fair value of the phantom share awards made for 2010.

(3) During 2010 Ms. Creel accrued interest on previously deferred meeting fees in the Outside Director Deferral Plan at the prime rate as provided in the Plan. The amount shown in column (f) represents the difference in interest earned compared to the amount that would have been earned using the federal long-term rate. For Mr. Rankin, this number represents the increase in the value of his benefit under the Directors Retirement Income Plan during 2010. This increase is the net impact of a decrease in value of \$13,794 due to later

commencement of the pension (i.e., 12/31/10 versus 12/31/09) an increase in value of \$71,053 due to the impact on his pension of the increase in the annual retainer, and an increase in value of \$23,417 due to changes in assumptions the Company used to value pension benefits. The amount of the benefit payable will be \$49,000 annually when he retires from the Board.

- (4) Under the Outside Director Phantom Share Plan and the Directors Phantom Share Plan, our directors have the following amounts credited to their accounts as of December 31, 2010: Ms. Corvi, 1,288 shares; Ms. Creel, 23,756 shares; Mr. Davidson, 26,944 shares; Mr. DeLoach, 17,672 shares; Mr. Griffith, 15,767 shares; Mr. Holland, 21,193 shares; General Jumper, 8,005 shares; General Newton, 6,587 shares; Mr. Olesen, 24,782 shares; and Mr. Rankin, 16,823 shares.
- (5) This column includes the following dividend equivalents paid during 2010 under the Outside Director Phantom Share Plan and the Directors Phantom Share Plan: Ms. Corvi, \$1,062; Ms. Creel, \$31,510; Mr. Davidson, \$35,829; Mr. DeLoach, \$23,265; Mr. Griffith, \$20,684; Mr. Holland, \$28,036; General Jumper, \$10,164; General Newton, \$8,242; Mr. Olesen, \$32,900; Mr. Rankin, \$22,115; and Mr. Young, \$20,591. This column also includes the following dividend equivalents paid during 2010 under the Outside Director Deferral Plan and the Directors Deferred Compensation Plan: Ms. Creel, \$11,956; Mr. Davidson, \$9,725; Mr. DeLoach, \$35,573; Mr. Griffith, \$2,979; Mr. Holland, \$7,025; Mr. Olesen, \$20,380; Mr. Rankin, \$13,006; and Mr. Young, \$14,822. In addition, directors received certain perquisites



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including long distance telephone service, business travel accident insurance and occasional personal use of company aircraft. The aggregate incremental cost of perquisites to each director was less than \$10,000 in 2010.

***Annual Retainer and Meeting Fees***

During 2010, each of our non-management directors received an annual retainer of \$67,500. Effective April 21, 2010, the annual retainer was increased to \$70,000. Annual retainers are paid in quarterly installments. In addition, each of our non-management directors received \$1,500 for each Board and Board Committee meeting attended. The Chairs of the Committee on Governance and the Financial Policy Committee each received an annual retainer of \$6,875 for serving as the Committee Chair, the Chair of the Compensation Committee received an annual retainer of \$8,750 and the Chair of the Audit Review Committee received an annual retainer of \$13,750. Effective April 21, 2010, the Committee Chair annual retainers were increased to \$15,000 for the Audit Review Committee, \$10,000 for the Compensation Committee and \$7,500 for the Committee on Governance and the Financial Policy Committee. Chair retainers are paid in quarterly installments.

***Outside Director Deferral Plan***

Starting in 2005, non-management directors could elect to defer annual retainer and meeting fees under the Outside Director Deferral Plan. The plan permits non-management directors to elect to defer a portion or all of the annual retainer and meeting fees into either a phantom Goodrich share account or a cash account. Amounts deferred into the phantom share account accrue dividend equivalents, and amounts deferred into the cash account accrue interest at the prime rate. The plan provides that amounts deferred into the phantom share account are paid out in shares of Common Stock, and amounts deferred into the cash account are paid out in cash, in each case following termination of service as a director, in either a single lump sum, five annual installments or ten annual installments.

Prior to 2005, non-management directors could elect to defer a portion or all of the annual retainer and meeting fees into a phantom Goodrich share account pursuant to the Directors' Deferred Compensation Plan. The plan provides that amounts deferred into the account are paid out in shares of Common Stock following termination of service as a director. Dividend equivalents accrue on all phantom shares credited to a director's account.

***Outside Director Phantom Share Plan***

In addition to the annual retainer and meeting fees, in 2010, each non-management director received an annual grant of phantom shares under the Outside Director Phantom Share Plan equal in value to \$90,000. Dividend equivalents accrue on all phantom shares credited to a director's account. All phantom shares are fully vested on the date of grant. Following termination of service as a director, the cash value of the phantom shares will be paid to each director in either a single lump sum, five annual installments or ten annual installments. The value of each phantom share is determined on the relevant date by the fair market value of Common Stock (as defined in the plan).

Prior to 2005, each non-management director received an annual grant of phantom shares under the Directors' Phantom Share Plan equal in value to the then-current annual retainer. Dividend equivalents accrue on all phantom shares credited to a director's account. All phantom shares under this plan are fully vested. Following termination of service as a director, the cash value of the phantom shares will be paid to each director in twelve monthly installments. The value of each phantom share is determined on the relevant date by the fair market value of Common Stock (as defined in the plan).

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***Directors Retirement Income Plan***

Mr. Rankin participates in our 1982 Directors Retirement Income Plan, which was terminated in 1995. The plan provided that, upon retirement from the Board of Directors after reaching the age of 55 with at least ten years of service as a director, a non-management director would be entitled to receive an annual amount equal to the annual retainer in effect at retirement. A retiring director who had reached age 55 and served for at least five but less than ten years would be entitled to a reduced amount equal to 50% of the annual retainer in effect at retirement, plus 10% of such annual retainer for each additional year of service (rounded to the nearest whole year) up to ten. Under the transition provisions of the plan, upon his retirement Mr. Rankin will be entitled to receive an annual amount under the plan equal to 70% of the annual retainer in effect at retirement.

***Other***

Non-management directors are reimbursed for actual expenses incurred in the performance of their services as directors, including continuing education programs and seminars and, in most instances, provided with travel via company-provided private aircraft to Board of Directors and committee meetings. During 2010, we also provided each non-management director with long-distance telephone service for business and personal use and with \$250,000 in business travel accident insurance coverage.

**Indemnification; Insurance**

We indemnify our directors and officers to the fullest extent permitted by the New York Business Corporation Law. This is required under our By-Laws, and we have also signed agreements with each of our directors and some of our officers contractually obligating us to provide this indemnification to them.

As authorized by the New York Business Corporation Law and our By-Laws, we have purchased insurance providing indemnification for Goodrich and its subsidiaries as well as their directors and officers. The insurance is part of a package that includes employment practices, fiduciary and crime insurance coverage.

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**AUDIT REVIEW COMMITTEE REPORT**

The Audit Review Committee is appointed annually by the Board of Directors to assist it in its oversight function by monitoring the integrity of Goodrich's consolidated financial statements, the qualifications and independence of the independent registered public accounting firm, the performance of the internal audit function and independent registered public accounting firm and compliance with legal and regulatory requirements. The Audit Review Committee has the sole authority and responsibility to select, determine the compensation of, evaluate and, when appropriate, replace the independent registered public accounting firm.

Management is responsible for the financial reporting process, including the system of internal controls, for the preparation of consolidated financial statements in accordance with generally accepted accounting principles and for the report on internal control over financial reporting. The independent registered public accounting firm is responsible for auditing those financial statements and expressing an opinion as to their conformity with generally accepted accounting principles. In addition, that firm is responsible for attesting to the effectiveness of Goodrich's internal control over financial reporting.

In this context, the Audit Review Committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the Audit Review Committee that Goodrich's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Review Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The independent registered public accounting firm discussed with the Audit Review Committee the matters required to be discussed by Statement on Auditing Standards No. 61 (*Communication With Audit Committees*). The Audit Review Committee also reviewed and discussed with management and the independent registered public accounting firm, management's report and the independent registered public accounting firm's report and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

In addition, the Audit Review Committee received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accountant communications with the Audit Review Committee concerning independence, and discussed with the independent registered public accounting firm its independence from Goodrich and its management. The Audit Review Committee also considered whether the provision of non-audit services to Goodrich is compatible with maintaining the firm's independence. The Audit Review Committee has concluded that the independent registered public accounting firm is independent from Goodrich and its management.

The Audit Review Committee discussed with Goodrich's internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. The Audit Review Committee meets with the internal auditors and independent registered public accounting firm, with and without management present, to discuss the results of their examinations, the evaluations of Goodrich's internal controls, and the overall quality of Goodrich's financial reporting.

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In reliance on the reviews and discussions referred to above, the Audit Review Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in Goodrich's Annual Report on Form 10-K for the year ended December 31, 2010, for filing with the Securities and Exchange Commission. The Audit Review Committee also appointed, subject to shareholder ratification, Goodrich's independent registered public accounting firm for the year 2011.

The Audit Review Committee

Harris E. DeLoach, Jr., Chair  
Carolyn Corvi  
John P. Jumper  
Douglas E. Olesen  
Alfred M. Rankin, Jr.

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**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on the review and discussion referred to above, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Compensation Committee

James W. Griffith, Chair  
Carolyn Corvi  
Diane C. Creel  
George A. Davidson, Jr.  
Lloyd W. Newton

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

**Executive Compensation Summary**

In 2010, we experienced sales growth of approximately 4%, with growth occurring in all of our major market channels, except for commercial aftermarket products and services which was essentially flat year-over-year. Our income from continuing operations attributable to the Company increased 2% from \$563 million in 2009 to \$577 million in 2010. Income from continuing operations attributable to the Company would have increased by approximately 6% if the Company had not elected to redeem debt prior to its maturity in 2012 to capitalize on favorable re-financing rates. We were able to maintain strong operating income margins due to our continued focus on cost control and operational excellence. The Company generated excellent net cash provided by operating activities during 2010 despite accelerating \$300 million of contributions to its defined benefit pension plans into 2010 that were planned for future periods.

As discussed below, we achieved above target results on our annual incentive compensation metrics, Free Cash Flow (net cash provided by operating activities minus capital expenditures) and Earnings Before Interest and Taxes. This resulted in achievement of 142% of target for the portion of the annual incentive compensation tied to financial performance. Our strong return on invested capital and our total shareholder return of 39% during 2010 contributed to performance unit payouts at 193%, which is very near maximum level, for the period covering 2008-2010. We continue to believe that our underlying executive compensation programs remain appropriate and effective in motivating and rewarding the behaviors that create long-term shareholder value. We believe our annual incentive plan financial metrics of Earnings Before Interest and Taxes and Free Cash Flow are the fundamental measurements of the strength of the Company and, when strong performance is sustained, will create shareholder value. Below is a graph showing total shareholder return for the Company compared to the S&P 500 and the S&P Aerospace indices for the period covering 2005-2010.

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Beginning in 2010, the Company eliminated executive perquisites for the CEO and all direct reports to the CEO, with the exception of financial counseling and tax preparation and executive physicals. In order to maintain a competitive total compensation package for our named executive officers, the Compensation Committee increased the target bonus opportunity by 5-10% of annual salary for our named executive officers. This approach shifts economic value from non-performance-based items to performance-based pay which requires the achievement of certain performance levels before compensation is earned. We did not make any other changes to the design of our executive incentive compensation programs for 2010.

### **Executive Compensation Philosophy**

We have designed our compensation programs to help us recruit and retain the executive talent required to successfully manage our business. We have designed the programs to motivate employees to achieve business objectives and maximize their long-term commitment to our success by providing compensation elements that align the interests of executives with enhancing shareholder value and achieving our long-term strategies.

### **The Role of Risk and Risk Mitigation**

We believe our executive compensation program appropriately balances risk with maximizing long-term shareholder value. By targeting long-term incentive compensation at 50-60% of our named executive officers' total compensation package, the Committee believes that we are encouraging strategies that correlate with the long-term interests of the Company. In addition, only about 20-25% of total compensation is fixed for the named executive officers while the remaining total compensation is tied to performance, consistent with the Company's pay-for-performance philosophy. Further, the Committee has selected the financial metrics of Earnings Before Interest and Taxes and Free Cash Flow which are not easily manipulated by short-term risk taking. We have also maintained stock ownership guidelines for over ten years for our named executive officers that not only align their interests with shareholders, but also discourage behavior that is focused only on the short-term. Based on these factors, the Committee believes, with the concurrence of its independent compensation consultant, that our executive compensation program does not encourage our management to take unreasonable risks relating to our business.

The Committee also monitors our executive compensation program for potential risk mitigation. Effective in 2010, the Committee revised the agreement for named executive officers and certain other senior executive recipients of stock options and restricted stock units to allow the Committee to clawback certain awards in the case of, among other things, acts of fraud, theft, misappropriation of funds, dishonesty, bad faith or disloyalty. In addition, all of the components of our long-term incentive program contain vesting periods ranging from one to five years.

### **Compensation Committee**

The Compensation Committee of the Board of Directors is responsible for establishing the overall philosophy and objectives, financial metrics and oversight for our executive compensation programs. The Committee presently consists of five independent directors who are responsible for reviewing our compensation, benefits and share-based programs and recommending changes to the full Board of Directors. The Committee meets regularly, but at least three times annually, and engages the services of an independent compensation consultant to assist with its deliberations. The Board of Directors has established a Compensation Committee Charter to govern and guide the Committee. The Committee reviews and assesses the Charter annually and recommends any changes to the Board of Directors.

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**Pay Mix of Named Executive Officers**

The Committee's philosophy is to develop short-term and long-term incentive programs that reward financial performance that creates value for our shareholders. Our executive compensation programs are designed to strike an appropriate balance between our short-term and long-term goals and objectives. To that end, the Committee consider