

TRINITY INDUSTRIES INC  
Form DEF 14A  
April 01, 2016  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(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

Trinity Industries, Inc.

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if Other Than The Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Trinity Industries, Inc.**

**NOTICE OF ANNUAL MEETING  
OF STOCKHOLDERS**

**To Be Held on May 2, 2016**

**2525 N. Stemmons Freeway**

**Dallas, Texas 75207-2401**

**[www.trin.net](http://www.trin.net)**

**TO: Trinity Industries, Inc. Stockholders:**

**Please join us for the 2016 Annual Meeting of Stockholders of Trinity Industries, Inc. The meeting will be held at the principal executive offices of the Company, 2525 N. Stemmons Freeway, Dallas, Texas 75207, on Monday, May 2, 2016, at 8:30 a.m., Central Daylight Time.**

At the meeting, the stockholders will act on the following matters:

- (1) Election of the eleven nominees named in the attached proxy statement as directors;
- (2) Advisory vote to approve named executive officer compensation;
- (3) Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2016; and
- (4) Any other matters that may properly come before the meeting.

All stockholders of record at the close of business on March 11, 2016 are entitled to vote at the meeting or any postponement or adjournment of the meeting. A list of the stockholders is available at the Company's offices in Dallas, Texas.

By Order of the Board of Directors

**BRYAN P. STEVENSON**

*Associate General Counsel and Secretary*

**April 1, 2016**

**YOUR VOTE IS IMPORTANT!**

Please vote as promptly as possible by using the internet or telephone or by signing, dating, and returning the enclosed proxy card to the address listed on the card.

**Important Notice Regarding the Availability of Proxy Materials for the**

**Annual Meeting of Stockholders to be Held on May 2, 2016:**

**This Proxy Statement and the Annual Report to Stockholders for the fiscal year ended December 31, 2015, are available for viewing, printing, and downloading at <https://materials.proxyvote.com/896522>.**

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

**Annual Meeting of Stockholders**

**Time and Date:** 8:30 a.m., Central Daylight Time, May 2, 2016  
**Place:** 2525 N. Stemmons Freeway, Dallas, Texas 75207  
**Record Date:** March 11, 2016  
**Voting:** Stockholders as of the record date are entitled to vote

**Agenda and Voting Recommendations**

Item	Description	Board Recommendation	Page
1	Election of Directors	FOR each nominee	12
2	Advisory vote to approve named executive officer compensation	FOR	16
3	Ratification of Ernst & Young LLP as independent auditors for 2016	FOR	17

**Director Nominees**

The following table provides summary information about each nominee for director. Each director is elected annually by a majority of votes cast.

Nominee	Age	Principal Occupation	Committees
Timothy R. Wallace	62	Chairman, Chief Executive Officer, and President, Trinity Industries, Inc.	None
John L. Adams	71	Chairman, Group 1 Automotive, Inc.	Finance and Governance
Rhys J. Best	69	Chairman (Non-Executive), Austin Industries, Inc.	Finance and HR
David W. Biegler	69	Chairman, Southcross Energy Partners GP, LLC	Audit, Finance, and Governance
Antonio Carrillo	48	Chief Executive Officer of Mexichem S.A.B. de C.V.	Finance
Leldon E. Echols	60	Retired Executive Vice President and Chief Financial Officer, Centex Corporation	Audit, Finance, Governance, and HR
Ronald J. Gafford	66	Retired Chairman, Chief Executive Officer, and President, Austin Industries, Inc.	Governance and HR
Adrian Lajous	72	Senior Fellow, Center on Global Energy Policy, Columbia University	Audit and Finance
Charles W. Matthews	71	Retired Vice President and General Counsel, Exxon Mobil Corporation	Governance and HR
Douglas L. Rock	69	Retired Chairman, Chief Executive Officer, and President, Smith International, Inc.	Audit and HR
Dunia A. Shive	55	Senior Vice President, TEGNA Inc. (formerly known as Gannett Co., Inc.)	Audit and Finance

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**Trinity Industries, Inc.**

**PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on May 2, 2016**

**2525 N. Stemmons Freeway**

**Dallas, Texas 75207-2401**

**[www.trin.net](http://www.trin.net)**

This Proxy Statement is being mailed on or about April 1, 2016 to the stockholders of Trinity Industries, Inc. (the Company) in connection with the solicitation of proxies by the Board of Directors of the Company to be voted at the Annual Meeting of Stockholders of the Company to be held at the offices of the Company, 2525 N. Stemmons Freeway, Dallas, Texas, on Monday, May 2, 2016, at 8:30 a.m., Central Daylight Time (the Annual Meeting), or at any postponement or adjournment thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The Company's mailing address is 2525 N. Stemmons Freeway, Dallas, Texas 75207.

You may vote in person by attending the meeting, by completing and returning a proxy by mail, or by using the internet or telephone. To vote your proxy by mail, mark your vote on the enclosed proxy card, then follow the instructions on the card. To vote your proxy using the internet or telephone, see the instructions on the proxy form and have the proxy form available when you access the internet website or place your telephone call.

The named proxies will vote your shares according to your directions. If you sign and return your proxy but do not make any of the selections, the named proxies will vote your shares: (i) FOR election of the eleven nominees for directors as set forth in this Proxy Statement, (ii) FOR approval, on an advisory basis, of the compensation of the Company's named executive officers as disclosed in these materials, and (iii) FOR ratification of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2016. The proxy may be revoked at any time before it is exercised by filing with the Company a written revocation addressed to the Corporate Secretary, by executing a proxy bearing a later date, or by attending the Annual Meeting and voting in person.

The cost of soliciting proxies will be borne by the Company. In addition to the use of postal services or the internet, proxies may be solicited by directors, officers, and regular employees of the Company (none of whom will receive any additional compensation for any assistance they may provide in the solicitation of proxies) in person or by telephone. The Company has hired Georgeson, Inc. to assist in the solicitation of proxies at an estimated cost of \$10,000 plus expenses.

The outstanding voting securities of the Company consist of shares of common stock, \$0.01 par value per share (Common Stock). The record date for the determination of the stockholders entitled to notice of and to vote at the Annual Meeting, or any postponement or adjournment thereof, has been established by the Board of Directors as the close of business on March 11, 2016. At that date, there were outstanding and entitled to vote 150,781,590 shares of Common Stock.

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## PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

The presence, in person or by proxy, of the holders of record of a majority of the outstanding shares entitled to vote is necessary to constitute a quorum for the transaction of business at the Annual Meeting, but if a quorum should not be present, the meeting may be adjourned from time to time until a quorum is obtained. A holder of Common Stock will be entitled to one vote per share on each matter properly brought before the meeting. Cumulative voting is not permitted in the election of directors.

**Votes Required for Approval**

<b>Item</b>	<b>Description</b>	<b>Votes Required for Approval</b>	<b>Effect of Withheld Vote/Abstention</b>
1	Election of Directors	Affirmative vote of a majority of the votes cast for the election of directors at the Annual Meeting	An incumbent director nominee who receives a greater number of votes withheld than for is required to tender his or her resignation, which will be accepted or rejected by the Board as more fully described in Election of Directors. An abstention will not count as a vote cast and therefore will not affect the outcome of the vote.
2	Advisory vote to approve named executive officer compensation	Affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the meeting	An abstention will effectively count as a vote cast against this proposal.
3	Ratification of Ernst & Young LLP as independent auditors for 2016	Affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the meeting	An abstention will effectively count as a vote cast against this proposal.

Votes may be cast in favor of or withheld with respect to all of the director nominees, or any of them individually. Shares of a stockholder who abstains from voting on any or all proposals will be included for the purpose of determining the presence of a quorum. Broker non-votes on any matter, as to which the broker has indicated on the proxy that it does not have discretionary authority to vote, will be treated as votes not cast or as shares not entitled to vote with respect to that matter and will not affect the outcome of the vote. However, such shares will be considered present and entitled to vote for quorum purposes so long as they are entitled to vote on other matters.

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### **CORPORATE GOVERNANCE**

The business affairs of the Company are managed under the direction of the Board of Directors (also referred to in this proxy statement as the Board ) in accordance with the General Corporation Law of the State of Delaware and the Company s Certificate of Incorporation and Bylaws. The role of the Board of Directors is to oversee the management of the Company for the benefit of the stockholders. This responsibility includes monitoring senior management s conduct of the Company s business operations and affairs; reviewing and approving the Company s financial objectives, strategies, and plans; risk management oversight; evaluating the performance of the Chief Executive Officer and other executive officers; and overseeing the Company s policies and procedures regarding corporate governance, legal compliance, ethical conduct, and maintenance of financial and accounting controls.

The Board of Directors first adopted Corporate Governance Principles in 1998, which are reviewed annually by the Corporate Governance and Directors Nominating Committee and were last amended in December 2015. The Company has a long-standing Code of Business Conduct and Ethics, which is applicable to all employees of the Company, including the Chief Executive Officer, the Chief Financial Officer, and principal accounting officer, as well as the Board of Directors. The Company intends to post any amendments to or waivers from its Code of Business Conduct and Ethics on the Company s website to the extent applicable to an executive officer or a director of the Company. The Corporate Governance Principles and the Code of Business Conduct and Ethics are available on the Company s web site at [www.trin.net](http://www.trin.net) under the heading Investor Relations-Governance.

The directors hold regular and special meetings and spend such time on the affairs of the Company as their duties require. During 2015, the Board of Directors held seventeen meetings. The Board also meets regularly in non-management executive sessions and selects the Presiding Director, who serves as the lead independent director and chairs the non-management executive sessions. Mr. Leldon E. Echols currently serves in that capacity. In 2015, all directors of the Company attended at least 75% of the meetings of the Board of Directors and the committees on which they served. It is Company policy that each director is expected to attend the Annual Meeting. Ten of our eleven directors were in attendance at the 2015 Annual Meeting.

#### Independence of Directors

The Board of Directors makes all determinations with respect to director independence in accordance with the New York Stock Exchange ( NYSE ) listing standards and the rules and regulations promulgated by the Securities and Exchange Commission ( SEC ). In addition, the Board of Directors established certain guidelines to assist it in making any such determinations regarding director independence (the Independence Guidelines ), which are available on the Company s website at [www.trin.net](http://www.trin.net) under the heading Investor Relations-Governance-Categorical Standards of Director Independence. The Independence Guidelines set forth commercial and charitable relationships that may not rise to the level of material relationships that would impair a director s independence as set forth in the NYSE listing standards and SEC rules and regulations. The determination of whether such relationships as described in the Independence Guidelines actually impair a director s independence is made by the Board on a case-by-case basis.

The Board undertook its annual review of director independence and considered transactions and relationships between each director, or any member of his or her immediate family, and the Company and its subsidiaries and

affiliates. In making its determination, the Board applied the NYSE listing standards and SEC rules and regulations together with the Independence Guidelines. In making such determinations, the Board, amongst other things, considered the transactions described below.

Antonio Carrillo was an employee of the Company until late May 2012 and currently serves as the Chief Executive Officer of Mexichem S.A.B. de C.V. ( Mexichem ). The Company periodically sells products to and receives leasing revenue from subsidiaries of Mexichem. These transactions involved less than 2% of the consolidated gross revenues of Mexichem and the Company for each fiscal year since January 1, 2013. The amounts involved in these transactions for 2013, 2014, and 2015 were, respectively, \$1,194,371, \$918,756, and \$919,344. These transactions were conducted in the ordinary course of business, at arms-length.

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**CORPORATE GOVERNANCE**

Dunia A. Shive is a Senior Vice President of TEGNA Inc., formerly known as Gannett Co., Inc. ( TEGNA ). The Company purchases human resources-related services from a subsidiary of TEGNA from time to time. These transactions involved less than 2% of the consolidated gross revenues of TEGNA and the Company for each fiscal year since January 1, 2013. The amounts involved in these transactions for 2013, 2014, and 2015 were, respectively, \$167,945, \$178,486, and \$292,750. These transactions were conducted in the ordinary course of business, at arms-length.

As a result of its review, the Board affirmatively determined that the following directors are independent of the Company and its management under the standards set forth in the listing standards of the NYSE and the SEC rules and regulations: John L. Adams, Rhys J. Best, David W. Biegler, Antonio Carrillo, Leldon E. Echols, Ronald J. Gafford, Adrian Lajous, Charles W. Matthews, Douglas L. Rock, and Dunia A. Shive. The Board determined that Timothy R. Wallace is not independent because of his employment by the Company.

**Board Leadership Structure**

Mr. Wallace serves as the Chairman, Chief Executive Officer, and President of the Company. As stated in the Corporate Governance Principles, the Board believes that the decision as to whether the offices of Chairman and Chief Executive Officer should be combined or separated is the responsibility of the Board. The members of the Board possess experience and unique knowledge of the challenges and opportunities the Company faces. They are, therefore, in the best position to evaluate the current and future needs of the Company and to judge how the capabilities of the directors and senior managers can be most effectively organized to meet those needs. Given his deep knowledge of the Company and experience in leading it through a range of business environments, the Board believes that the most effective leadership structure for the Company is to have Mr. Wallace serve as both Chairman and Chief Executive Officer.

While Mr. Wallace serves as both Chairman and Chief Executive Officer, all other directors are independent. After considering the recommendations of the Human Resources Committee, the independent directors determine Mr. Wallace's compensation. Further, the Company has four standing committees and an independent Presiding Director. Mr. Wallace does not serve on any Board committee. The Board routinely holds executive succession planning discussions with the Vice President of Organizational Development and Mr. Wallace with respect to all executive officer positions. The Board believes that each of these measures helps to mitigate any risk in having Mr. Wallace serve as both Chairman and Chief Executive Officer. For these reasons, the Board believes that this leadership structure is effective for the Company.

Mr. Echols currently serves as Presiding Director. The Presiding Director has the following roles and responsibilities:

serve as a member of the Corporate Governance and Directors Nominating Committee;

preside at each executive session of non-management and independent directors;

preside at all meetings when the Chairman and Chief Executive Officer is not present;

as needed or appropriate, develop agendas for executive sessions of non-management and independent directors;

serve as the principal liaison to advise the Company's Chairman and Chief Executive Officer of actions and/or suggestions taken or made during executive sessions;

confer periodically with the Chairman and Chief Executive Officer regarding the quality, quantity, and timeliness of information to be furnished from time to time to the members of the Board;

to the extent that the Presiding Director is not the Chairman of the Corporate Governance and Directors Nominating Committee, the Presiding Director assists the Chairman of the Corporate Governance and Directors Nominating Committee in planning and executing each self-evaluation process of the Board;

**Table of Contents****CORPORATE GOVERNANCE**

in those instances where an ongoing dialog between the stockholders and the non-management directors is appropriate, serve as a conduit for communications between the stockholders and the non-management directors; and

perform such other duties as the Board from time to time may assign.

**Board Committees**

The standing committees of the Board of Directors are the Audit Committee, Corporate Governance and Directors Nominating Committee, Finance and Risk Committee, and Human Resources Committee. Each of the committees is governed by a charter, current copies of which are available on the Company's website at *www.trin.net* under the heading Investor Relations-Governance. Mr. Wallace, Chairman, Chief Executive Officer, and President (collectively referred to as the CEO) of the Company, does not serve on any Board committee. Director membership of the committees is identified below.

**Corporate Governance &**

	<b>Audit</b>	<b>Directors Nominating</b>	<b>Finance &amp; Risk</b>	<b>Human Resources</b>
<b>Director</b>	<b>Committee</b>	<b>Committee</b>	<b>Committee</b>	<b>Committee</b>
<b>John L. Adams</b>		*	**	
<b>Rhys J. Best</b>			*	**
<b>David W. Biegler</b>	*	*	*	
<b>Antonio Carrillo</b>			*	
<b>Leldon E. Echols</b>	**	*	*	*
<b>Ronald J. Gafford</b>		*		*
<b>Adrian Lajous</b>	*		*	
<b>Charles W. Matthews</b>		**		*
<b>Douglas L. Rock</b>	*			*
<b>Dunia A. Shive</b>	*		*	

\* Member

\*\* Chair



## Audit Committee

The Audit Committee's function is to oversee, on behalf of the Board, (i) the integrity of the Company's financial statements and related disclosures; (ii) the Company's compliance with legal and regulatory requirements; (iii) the qualifications, independence, and performance of the Company's independent auditing firm; (iv) the performance of the Company's internal audit function; (v) the Company's internal accounting and disclosure control systems and practices; (vi) the Company's procedures for monitoring compliance with its Code of Business Conduct and Ethics; and (vii) the Company's policies and procedures with respect to risk assessment, management, and mitigation. In carrying out its function, the Audit Committee (a) reviews with management, the chief audit executive, and the independent auditors the Company's financial statements, the accounting principles applied in their preparation, the scope of the audit, any comments made by the independent auditors upon the financial condition of the Company and its accounting controls and procedures; (b) reviews with management its processes and policies related to risk assessment, management, and mitigation, compliance with corporate policies, compliance programs, internal controls, corporate aircraft usage, and summaries of management's travel and entertainment reports; and (c) performs such other matters as the Audit Committee deems appropriate.

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**CORPORATE GOVERNANCE**

The Audit Committee also pre-approves all auditing and all allowable non-audit services provided to the Company by the independent auditors. The Audit Committee selects and retains the independent auditors for the Company, subject to stockholder ratification, and approves audit fees. The Audit Committee met seven times during 2015. The Board of Directors has determined that all members of the Audit Committee are independent as defined by the rules of the SEC and the listing standards of the NYSE. The Board has determined that Mr. Echols, Chair of the Audit Committee, Mr. Biegler, Mr. Rock, and Ms. Shive are each qualified as an audit committee financial expert within the meaning of SEC regulations.

**Corporate Governance and Directors Nominating Committee**

The functions of the Corporate Governance and Directors Nominating Committee (the Governance Committee) are to identify and recommend to the Board individuals qualified to be nominated for election to the Board; review the qualifications of the members of each committee (including the independence of directors) to ensure that each committee's membership meets applicable criteria established by the SEC and NYSE; recommend to the Board the members and Chairperson for each Board committee; periodically review and assess the Company's Corporate Governance Principles and the Company's Code of Business Conduct and Ethics and make recommendations for changes thereto to the Board; periodically review the Company's orientation program for new directors and the Company's practices for continuing education of existing directors; annually review director compensation and benefits and make recommendations to the Board regarding director compensation and benefits; review, approve, and ratify all transactions with related persons that are required to be disclosed under the rules of the SEC; annually conduct an individual director performance review of each incumbent director; and oversee the annual self-evaluation of the performance of the Board. Each of the members of the Governance Committee is an independent director under the NYSE listing standards. The Governance Committee met three times during 2015.

In performing its annual review of director compensation, the Governance Committee utilizes independent compensation consultants from time to time to assist in making its recommendations to the Board. The Governance Committee reviewed the director compensation for 2015, considered benchmarking information provided by Meridian Compensation Partners, LLC (the Compensation Consultant), and recommended no changes, as discussed in Director Compensation.

The Governance Committee will consider director candidates recommended to it by stockholders. In considering candidates submitted by stockholders, the Governance Committee will take into consideration the needs of the Board and the qualifications of the candidate. To have a candidate considered by the Governance Committee, a stockholder must submit the recommendation in writing and must include the following information:

the name of the stockholder, evidence of the person's ownership of Company stock, including the number of shares owned and the length of time of ownership, and a description of all arrangements or understandings regarding the submittal between the stockholder and the recommended candidate; and

the name, age, business and residence addresses of the candidate, the candidate's résumé or a listing of his or her qualifications to be a director of the Company, and the person's consent to be a director if selected by the Governance Committee, nominated by the Board, and elected by the stockholders.

The stockholder recommendation and information described above must be sent to the Corporate Secretary at 2525 N. Stemmons Freeway, Dallas, Texas 75207 and must be received by the Corporate Secretary not less than 120 days prior to the anniversary date of the date the Company's proxy statement was released in connection with the previous year's Annual Meeting of Stockholders.

The Governance Committee believes that the qualifications for serving as a director of the Company are that a nominee demonstrate depth of experience at the policy-making level in business, government, or education; possess the ability to make a meaningful contribution to the Board's oversight of the business and affairs of the Company and a willingness to exercise independent judgment; and have an impeccable reputation for honest and ethical conduct in both professional and personal activities. In addition, the Governance Committee examines a candidate's time availability, the candidate's ability to make analytical and probing inquiries, and financial independence to ensure he or she will not be financially dependent on director compensation.

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**CORPORATE GOVERNANCE**

The Governance Committee identifies potential nominees by asking, from time to time, current directors and executive officers for their recommendations of persons meeting the criteria described above who might be available to serve on the Board. The Governance Committee may also engage firms that specialize in identifying director candidates. As described above, the Governance Committee will also consider candidates recommended by stockholders.

Once a person has been identified as a potential candidate, the Governance Committee makes an initial determination regarding the need for additional Board members to fill vacancies or expand the size of the Board. If the Governance Committee determines that additional consideration is warranted, the Governance Committee will review such information and conduct interviews as it deems necessary to fully evaluate each director candidate. In addition to the qualifications of a candidate, the Governance Committee will consider such relevant factors as it deems appropriate, including the current composition of the Board, the evaluations of other prospective nominees, and the need for any required expertise on the Board or one of its committees. The Governance Committee considers potential candidates in light of the skills, experience, and attributes (i) possessed by current directors and (ii) that the Board has identified as important for new directors to possess. The Governance Committee also contemplates multiple dynamics that promote and advance diversity among its members. Although the Governance Committee does not have a formal diversity policy, the Governance Committee considers a number of factors regarding diversity of personal and professional backgrounds (both domestic and international), national origins, specialized skills and acumen, and breadth of experience in industry, manufacturing, financing transactions, and business combinations. The Governance Committee's evaluation process will not vary based on whether or not a candidate is recommended by a stockholder.

**Finance and Risk Committee**

The duties of the Finance and Risk Committee (the Finance Committee) include reviewing significant acquisitions and dispositions of businesses or assets and authorizing such transactions within limits prescribed by the Board; periodically reviewing the Company's financial status and compliance with debt instruments; reviewing and making recommendations to the Board regarding financings and refinancing; authorizing financings and refinancing within limits prescribed by the Board; reviewing and assessing risk and litigation exposure related to the Company's operations; monitoring the funds for the Company's benefit plans; and reviewing the Company's insurance coverages. The Finance Committee met seven times in 2015. The Company periodically identifies, assesses, and reviews the business, commercial, operational, financial, and other risks associated with its products and services.

**Human Resources Committee**

The Human Resources Committee (the HR Committee) makes recommendations to the Board of Directors in its responsibilities relating to the fair and competitive compensation of the Company's CEO. The HR Committee has been

delegated authority by the Board of Directors to make compensation decisions with respect to the other named executive officers (as defined below). Each of the members of the HR Committee is an independent director under the NYSE listing standards, including those standards applicable specifically to members of compensation committees. The HR Committee met five times during 2015.

The HR Committee reviews management succession planning and approves awards under the Company's incentive compensation and equity based plans. The HR Committee annually evaluates the leadership and performance of Mr. Wallace, the Company's CEO and recommends his compensation to the Company's independent directors. The independent directors are responsible for approving the CEO's compensation. The CEO provides to the HR Committee his assessment of the performance of the other named executive officers. The HR Committee also has direct access to the Company's key leaders. The HR Committee reviews and approves compensation for the Chief Financial Officer (the CFO) and the other executive officers named in the Summary Compensation Table. The CEO, the CFO, and the other executive officers named in the Summary Compensation Table are referred to in this proxy statement as the named executive officers.

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**CORPORATE GOVERNANCE**

**The Role of the Compensation Consultant**

The HR Committee retains an independent executive compensation consultant to provide an assessment of the Company's executive compensation programs and to perform five key tasks. The consultant (i) reviews and assists in the design of the Company's compensation programs, (ii) provides insight into compensation practices used by other companies, (iii) benchmarks the Company's compensation pay levels with relevant peer survey data, (iv) provides proxy disclosure information for comparator companies, and (v) provides input to the HR Committee on the risk assessment, structure, and overall competitiveness of the Company's compensation programs.

The HR Committee retained the services of the Compensation Consultant to assist in providing an independent assessment of the executive compensation programs. Meridian Compensation Partners, LLC was the HR Committee's sole compensation consultant in 2015 and was chosen given its depth of resources, content expertise, and extensive experience. The Compensation Consultant reported directly to the HR Committee for the purposes of advising it on matters relating to 2015 compensation. The services of the Compensation Consultant were used only in conjunction with executive compensation matters and to provide benchmarking information regarding director compensation. The Compensation Consultant was not retained by the Company for any purpose. The Compensation Consultant's ownership structure, limited service lines, and policies and procedures are designed to ensure that the Compensation Consultant's work for the HR Committee does not raise any conflicts of interest. The amount of fees paid in 2015 to the Compensation Consultant by the Company represented less than 1% of the Compensation Consultant's total annual revenues for 2015. The internal policies of the Compensation Consultant prohibit its partners, consultants, and employees from engaging in conduct that could give rise to conflicts of interest and from buying, selling, and trading in the securities of client companies when that partner, consultant, or employee is providing consulting services to the client. The employees of the Compensation Consultant providing consulting services to the HR Committee have no other business or personal relationship with any member of the HR Committee or any executive officer of the Company. After a review of these factors and the considerations outlined in applicable SEC and NYSE rules, the HR Committee has concluded that the work of the Compensation Consultant has not raised any conflicts of interest and that the Compensation Consultant is independent from the Company and from management.

The HR Committee instructed the Compensation Consultant to provide analyses, insight, and benchmarking information for 2015 on the named executive officers and other key executives to determine whether the compensation packages for these executives were competitive with the market and met the Company's objectives. The Compensation Consultant was instructed to:

review the total direct compensation (base salary, annual incentive, and long-term incentive);

help identify and confirm that the comparator companies selected by the HR Committee were appropriate; and

gather publicly-traded comparator company proxies and peer survey data to ascertain market competitive rates for the named executive officers.

The Compensation Consultant benchmarked all cash and equity components of compensation for 2015, excluding the Executive Perquisite Allowance, and, for each position, determined certain percentile benchmarks.

### **The Role of Management**

The CEO, the CFO, and the Chief Administrative Officer work with the HR Committee and the Compensation Consultant to develop the framework and design the plans for all compensation components. The CEO and CFO recommend the financial performance measurements for the annual incentive awards and the long-term performance-based equity awards, subject to HR Committee approval. The CFO certifies as to the achievement of these financial performance measures. The HR Committee recommends Mr. Wallace's compensation to the independent directors for their approval. The CEO makes recommendations to the HR Committee on compensation for each of the other named executive officers.

### **The Role of the HR Committee**

Throughout the year, the CEO provides the HR Committee with his ongoing assessment of the performance of the other named executive officers. These assessments provide background information for any adjustment to base

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salary, annual incentive or long-term incentive. Both annual incentives and long-term incentives are established with threshold, target, and maximum payout levels.

The HR Committee realizes that benchmarking and comparing peer group proxy disclosure data require certain levels of interpretation due to the complexities associated with executive compensation plans. The HR Committee uses the benchmarking information and the peer group proxy disclosure data provided by the Compensation Consultant as general guidelines and makes adjustments to compensation levels based on what the HR Committee believes is in the best interests of the Company's stockholders. The HR Committee uses its judgment and bases its consideration of each executive's compensation on performance in respect to the value of the executive's contributions to the Company, the executive's tenure, and peer survey data that establishes the ranges against which compensation is benchmarked.

**Board's Role in Risk Oversight**

The Audit Committee has the responsibility to oversee the Company's policies and procedures relating to risk assessment, management, and mitigation. The Finance Committee has the responsibility to review and assess risk exposure related to the Company's operations, including safety, environmental, financial, contingent liabilities, and other risks that may be material to the Company, as well as the activities of management in identifying, assessing, and mitigating against business, commercial, operational, financial, and personal risks associated with the Company's products and services. The Finance Committee accomplishes this responsibility as described in Corporate Governance Board Committees Finance and Risk Committee. In addition, the Audit Committee, in its discretion, reviews the Company's major risks and exposures, including (i) any special-purpose entities, complex financing transactions and related off-balance sheet accounting matters; and (ii) legal matters that may significantly impact the Company's financial statements or risk management.

**Risk Assessment of Compensation Policies and Practices**

The Company conducts a detailed risk assessment of its compensation policies and practices (the Compensation Policies) for its employees, including its executive officers. Participants in the Compensation Policies risk assessment include the Company's management, human resources group, internal audit group, Enterprise Risk Management Committee (which consists of senior corporate and business segment executives who meet regularly to identify and review risks and assess exposures), the Compensation Consultant, and the HR Committee.



At the request of the HR Committee, the Compensation Consultant performs a risk assessment with respect to the Compensation Policies applicable to executive officers. The Compensation Consultant did not find any excessive risk in its review of the Compensation Policies applicable to executive officers.

Also, representatives of the Company's management, human resources group, and internal audit group review the Compensation Policies and meet to discuss and assess the likelihood and potential impact of the risk presented by the Compensation Policies and present findings to the Company's internal Enterprise Risk Management Committee. The Enterprise Risk Management Committee considers these findings and assessments and reviews the Compensation Policies and the Compensation Consultant's risk assessment. The Enterprise Risk Management Committee has concluded that the Compensation Policies are not reasonably likely to have a material adverse effect on the Company.

#### Compensation Committee Interlocks and Insider Participation

Messrs. Best, Echols, Gafford, Matthews, and Rock served on the HR Committee during the last completed fiscal year. None of the members of the HR Committee had ever served as an executive officer or employee of the Company or any of its subsidiaries. There were no compensation committee interlocks during 2015.

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Communications with Directors

The Board has established a process to receive communications by mail from stockholders and other interested parties. Stockholders and other interested parties may contact any member of the Board, including the Presiding Director, Mr. Echols, or the non-management directors as a group, any Board committee or any chair of any such committee. To communicate with the Board of Directors, any individual director, or any g