

Express Scripts Holding Co.
Form DEF 14A
March 21, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

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

Express Scripts Holding Company

(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:

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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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2016	Notice of Annual Meeting of Stockholders and Proxy Statement
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EXPRESS SCRIPTS HOLDING COMPANY

One Express Way

Saint Louis, Missouri 63121

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 4, 2016

The 2016 Annual Meeting of Stockholders of **EXPRESS SCRIPTS HOLDING COMPANY**, a Delaware corporation (the **Company**), will be held at the principal executive offices of the Company, One Express Way, Saint Louis, Missouri 63121, on Wednesday, May 4, 2016, at 8:00 a.m. Central Time (the **meeting**), to consider and act upon the following matters:

Items of Business

1. to elect twelve (12) directors to serve until the next Annual Meeting of Stockholders or until their respective successors are elected and qualified;
2. to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accountants for 2016;
3. to approve, by non-binding vote, the Company's executive compensation;
4. to approve and ratify the Express Scripts Holding Company 2016 Long-Term Incentive Plan;
5. to consider two stockholder proposals, if properly presented at the meeting; and
6. to transact such other business as may properly come before the meeting.

Voting

Only stockholders of record at the close of business on March 11, 2016 are entitled to notice of, and to vote at, the meeting. At least ten days prior to the meeting, a complete list of stockholders entitled to vote will be available for inspection by any stockholder for any purpose germane to the meeting, during ordinary business hours, at the office of the Secretary of the Company at One Express Way, Saint Louis, Missouri 63121. As a stockholder of record, you are

cordially invited to attend the meeting in person. Regardless of whether you expect to be present at the meeting, please either complete, sign and date the enclosed proxy card and mail it promptly in the enclosed envelope, or vote electronically by telephone or the Internet as described in greater detail in the proxy statement. Returning the enclosed proxy card or voting electronically or telephonically will not affect your right to vote in person if you attend the meeting.

By Order of the Board of Directors

Martin P. Akins

Senior Vice President, General Counsel and Corporate Secretary

One Express Way

Saint Louis, Missouri 63121

March 21, 2016

Even though you may plan to attend the meeting in person, please vote by telephone or the Internet, or execute the enclosed proxy card and mail it promptly. A return envelope (which requires no postage if mailed in the United States) is enclosed for your convenience. Telephone and Internet voting information is provided on your proxy card. Should you attend the meeting in person, you may revoke your proxy and vote in person.

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PROXY STATEMENT

EXPRESS SCRIPTS HOLDING COMPANY

One Express Way

Saint Louis, Missouri 63121

2016 ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of Express Scripts Holding Company, a Delaware corporation, to be voted at the 2016 Annual Meeting of Stockholders, which we refer to as the annual meeting or the meeting, and any adjournment or postponement of the meeting. The meeting will be held at the principal executive offices of the Company, One Express Way, Saint Louis, Missouri 63121, on Wednesday, May 4, 2016, at 8:00 a.m. Central Time, for the purposes contained in the accompanying Notice of Annual Meeting of Stockholders and as set forth in this proxy statement. On March 21, 2016, we mailed to our stockholders a notice containing instructions on how to access this proxy statement and our annual report to stockholders online, and made this proxy statement and form of proxy available online.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on May 4, 2016: The Annual Report and Notice & Proxy Statement are available at www.proxyvote.com. (All website addresses given in this document are for informational purposes only and are not intended to be an active link or to incorporate any website information into this document).

Table of Contents**2016 PROXY SUMMARY**

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

ANNUAL MEETING OF STOCKHOLDERS

Time and Date: 8:00 a.m., Central Time, Wednesday, May 4, 2016

Place: Company Headquarters, One Express Way, Saint Louis, Missouri 63121

Record Date: March 11, 2016

Voting: Stockholders as of the record date are entitled to vote; each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on

VOTING MATTERS AND BOARD RECOMMENDATIONS

Matter	Board Recommendation
Election of twelve directors	FOR EACH NOMINEE
Ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accountants for 2016	FOR
Approval, by non-binding vote, of the Company's executive compensation	FOR
Approval and ratification of the Express Scripts Holding Company 2016 Long-Term Incentive Plan	FOR
Two stockholder proposals, if properly presented at the meeting	AGAINST
<u>Item No. 1: Election of Directors</u>	

BOARD NOMINEES

Name	Age	Director Since*	Committee Memberships	Other Current Public Company Boards
Maura C. Breen	60	2004	Compensation (Chair)	
Independent				

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William J. DeLaney	60	2011	Audit Compensation	Sysco Corporation
Independent				
Elder Granger, MD, MG, USA (Retired)	62	2015	Compliance	DLH Holdings Corp.
Independent				
Nicholas J. LaHowchic	69	2001	Audit Compensation	
Independent				
Thomas P. Mac Mahon	69	2001	Corporate Governance (Chair)	PharMerica Corporation
Independent				
Frank Mergenthaler	55	2009	Audit (Chair)	
Independent				
Woodrow A. Myers, Jr., MD	62	2007	Compensation Compliance	
Independent				
Roderick A. Palmore	64	2014	Corporate Governance	Goodyear Tire & Rubber Co.
Independent				
George Paz	60	2004		CBOE Holdings, Inc. Honeywell International, Inc.
				Prudential Financial, Inc.
William L. Roper, MD, MPH	67	2012	Compliance (Chair)	DaVita HealthCare Partners Inc.
Independent				
Seymour Sternberg	72	1992	Audit Corporate Governance	CIT Group Inc.
Independent				
Timothy Wentworth	55	2015		

*Includes services as a director of Express Scripts, Inc. prior to April 2, 2012.

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2016 PROXY SUMMARY

Item No. 2: Ratification of Appointment of Independent Registered Public Accountants

Independent Registered Public Accountants

Although not required, we are asking stockholders to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for 2016.

Item No. 3: Advisory Vote on Executive Compensation

Named Executive Officers

George Paz, Chair and Chief Executive Officer

Timothy Wentworth, President

Eric Slusser, Executive Vice President and Chief Financial Officer since September 2015

Sara Wade, Senior Vice President and Chief Human Resources Officer

Christine Houston, Senior Vice President, Operations

James Havel, Executive Vice President and Interim Chief Financial Officer from January 2015 to September 2015

Keith Ebling, Executive Vice President and General Counsel through July 2015

Advisory Vote

We are asking our stockholders to approve on an advisory basis the compensation of our named executive officers. Our board recommends a **FOR** vote because we believe our compensation program aligns the interests of our named executive officers with those of our stockholders and achieves our compensation objective of rewarding management based upon individual and Company performance and the creation of stockholder value over the long-term.

Key Elements of Our Compensation Program

Base Salary

Key Elements

A fixed cash amount, determined annually.

Objective

Provides a pay opportunity that is generally competitive with the companies with which we compete for management talent.

Executive Performance-Based Cash Bonus Awards

Key Elements

An annual cash award approved by the Compensation Committee for senior executive officers (and ratified by the board with respect to our executive vice presidents and ratified by the independent members of the board with respect to our CEO and president).

All of our named executive officers are eligible to receive annual performance-based cash bonus awards.

In the first quarter of the performance year, the Compensation Committee approves, and the board ratifies, as applicable, a performance-based cash bonus award for each senior executive officer to be paid in the first quarter of the following year. The award is granted at 215% of each executive's target bonus amount, which reflects the maximum potential award. For tax purposes, the Compensation Committee also approves, and the board ratifies, a minimum earnings per share (EPS) target that must be achieved during the performance year or the award is forfeited. If the minimum EPS target is met, the Compensation Committee retains the discretion to adjust the actual payout of the award downward from the maximum potential award.

Performance-based cash bonus awards are awarded under the Express Scripts, Inc. 2011 Long-Term Incentive Plan, as amended and restated, or the 2011 LTIP. The Compensation Committee may, in its discretion, use a variety of subjective performance factors when granting these awards and considers, among other factors, each executive's individual performance as a key factor in determining the actual payout.

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2016 PROXY SUMMARY

Objective

Rewards the achievement of certain operational and performance metrics that are established for each year.

Motivates performance by delivering greater rewards for superior Company and individual performance, while delivering reduced or no awards for Company or individual underperformance.

Long-Term Incentive Equity Awards

Key Elements

Stock options comprise approximately 33¹/₃% of annual long-term incentive equity awards for our named executives and have a three-year vesting and ten-year expiration period (seven-year expiration period for stock options granted prior to January 1, 2015). Prior to 2015, stock options comprised approximately 40% of annual long-term incentive equity awards for our CEO.

Restricted stock units comprise approximately 33¹/₃% of annual long-term incentive equity awards for our named executives and have a three-year vesting period. Prior to 2015, restricted stock units comprised approximately 25% of annual long-term incentive equity awards for our CEO.

Performance shares comprise approximately 33¹/₃% of annual long-term incentive equity awards for our named executives and vest based upon the Company's performance over three years in two equally weighted performance categories:

total stockholder return relative to the S&P 100 Index; and

three-year average return on invested capital relative to a predetermined target.

Performance shares granted in 2013 and 2014 vest based upon the Company's performance over three years in three equally weighted performance categories:

total stockholder return relative to a defined industry peer group;

compound annual growth in EPS (as described further on page 37) relative to a defined industry peer group; and

three-year average return on invested capital relative to a predetermined target, with respect to performance shares granted in 2013, and relative to a defined industry peer group with respect to performance shares granted in 2014.

Prior to 2015, performance shares comprised approximately 35% of annual long-term incentive equity awards for our CEO.

Objective

Stock options and restricted stock units align compensation to long-term stockholder value and stock price appreciation.

Performance shares reward the achievement of our long-term financial goals and value creation to stockholders relative to a market index of large companies and predetermined targets.

Overlapping vesting periods help to manage compensation-related risks associated with maximizing performance in any one period at the expense of another.

Multi-year vesting period serves as a retention tool.

Executive Compensation Program Best Practices

Our compensation program is designed to drive performance towards achievement of both short-term and long-term goals and to increase stockholder value, while appropriately balancing risk and reward. We regularly review our compensation program to incorporate best practices, examples of which include:

target total direct compensation (base salary, performance-based cash bonus awards and long-term incentive equity awards) that is generally competitive with a peer group of companies and other companies with which we compete for talent;

a mix of short- and long-term performance incentives, with emphasis on long-term performance;

the regular risk assessment of compensation programs;

stock ownership guidelines;

a prohibition on trading in derivatives with respect to our common stock and on pledging shares of our common stock;

a clawback policy;

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2016 PROXY SUMMARY

no reportable perquisites (except relocation allowance and miscellaneous expenses for a newly appointed executive); and

no tax gross-ups for our executive officers.

2015 Performance Highlights

We continue to execute our successful business model, which emphasizes the alignment of our financial interests with those of our clients and patients through greater use of generics, and lower-cost brands, home delivery and specialty pharmacies, while at the same time, delivering strong financial performance.

2015 Financial Review:

increased earnings per diluted share attributable to Express Scripts from \$2.64 to \$3.56, a 35% increase;

increased net income attributable to Express Scripts from \$2,007.6 million to \$2,476.4 million, a 23% increase;

increased generic fill rate from 82.9% to 84.4%; and

cash flow provided by operating activities increased from \$4.55 billion to \$4.85 billion.

2015 Summary Compensation

(see page 43 for additional detail)

	Base Salary	Bonus	Restricted Stock and Performance Share Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other	Total
George Paz	\$ 1,324,058	\$	\$ 6,833,333	\$ 3,416,667	\$ 3,005,635	\$ 255,894	\$ 14,835,587
Timothy Wentworth	901,250		3,833,333	1,916,667	1,705,091	108,562	8,464,903
Eric Slusser	220,289		1,000,000(1)		358,627	32,493	1,611,409
Sara Wade	583,031		1,433,333	716,667	705,941	79,762	3,518,734
Christine Houston	586,000		1,266,666	633,334	780,699	76,576	3,343,275

James Havel(2)	716,635	110,000(3)	4,333,333(4)	916,667	1,138,250	7,214,885
Keith Ebling(5)	719,519		1,833,333	916,667	113,069	3,582,588

(1) Amount reflects Mr. Slusser's sign-on equity grant of restricted stock units.

(2) Mr. Havel left the role of interim chief financial officer effective September 9, 2015 and left the Company on March 11, 2016.

(3) Reflects a one-time payment of \$110,000 in connection with Mr. Havel's sign-on bonus.

(4) Includes a one-time \$2,500,000 sign-on grant of restricted stock units.

(5) Mr. Ebling left the role of executive vice president and general counsel effective July 24, 2015, but is expected to remain employed with the Company through June 1, 2016 (unless employment is earlier terminated by either Mr. Ebling or the Company) in order to facilitate a smooth and orderly transition. The amounts set forth in the table above reflect compensation amounts for Mr. Ebling with respect to 2015. For a summary of Mr. Ebling's expected termination benefits, see Employment Agreements and Potential Payments Upon Termination or Change in Control Estimated Benefits Keith Ebling (Expected Payments) on page 64.

Item No. 4: Approval and Ratification of the Express Scripts Holding Company 2016 Long-Term Incentive Plan

The board of directors has adopted the Express Scripts Holding Company 2016 Long-Term Incentive Plan (the 2016 LTIP) for employees and non-employee directors of the Company and its affiliates, subject to stockholder approval. The 2016 LTIP provides for the grant of stock options, both incentive stock options and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, and other awards to eligible individuals. The board believes that the 2016 LTIP will promote the success and enhance the value of the Company by linking the personal interests of participants to those of the Company's stockholders and by providing participants with an incentive for outstanding performance. Accordingly, our board of directors recommends a vote **FOR** the approval and ratification of the 2016 LTIP.

Item Nos. 5 and 6: Stockholder Proposals

Certain stockholders have submitted two proposals for consideration at the annual meeting. The proposals have been carefully considered by our board of directors, which has concluded that adoption of the proposals would not be in the best interests of the Company or its stockholders (see Stockholder Proposals for 2016 Annual Meeting on page 83).

Our board of directors recommends a vote **AGAINST** each of the stockholder proposals.

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ABOUT THE MEETING

ABOUT THE MEETING

1. Why Did I Receive this Proxy Statement?

Because you were a stockholder of our Company as of March 11, 2016, or the record date, and are entitled to vote at the annual meeting, our board of directors is soliciting

your proxy to vote at the meeting. This proxy statement summarizes the information you need to know in order to cast a vote at the meeting.

2. What Am I Voting On?

You are voting on six items:

election of directors (see page 9);

ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for 2016 (see page 69);

approval, by non-binding vote, of the Company's executive compensation (see page 70);

approval and ratification of a new equity incentive plan the Express Scripts Holding Company 2016 long-term incentive plan (see page 71);

if properly presented at the meeting, a stockholder proposal regarding an independent board chairman (see page 83); and

if properly presented at the meeting, a stockholder proposal regarding political activities disclosure (see page 87).

3. How Do I Vote?

Stockholders of record

If you are a stockholder of record, there are four ways to vote:

by toll-free telephone at 1-800-690-6903*

by Internet at www.proxyvote.com*

by completing and returning your proxy card

by written ballot at the meeting

* The deadline to vote by telephone or Internet is 11:59 p.m. Eastern Time on May 3, 2016.

Street name holders

Shares of our common stock that are held in a brokerage account in the name of the broker are held in street name. If your shares are held in street name, you should follow the voting instructions provided by your broker. You may complete and return a voting instruction card to your broker or vote by telephone or the Internet. Check your voting instructions card for more information. If you hold your shares in street name and wish to vote at the meeting, you must obtain a legal proxy from your broker and bring that proxy to the meeting.

4. What Are the Voting Recommendations of the Board of Directors?

Matter	Board Recommendation
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Election of twelve directors	FOR EACH NOMINEE
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Ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accountants for 2016	FOR
Approval, by non-binding vote, of the Company's executive compensation	FOR
Approval and ratification of the Express Scripts Holding Company 2016 Long-Term Incentive Plan	FOR
Two stockholder proposals, if properly presented at the meeting	AGAINST

If you return a properly executed proxy card without instructions, the persons named as proxy holders will vote your shares in accordance with the recommendations of our board of directors.