

Express Scripts Holding Co.

Form DEF 14A

March 17, 2017

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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:

(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:

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Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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	Notice of
2017	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 11, 2017

The 2017 Annual Meeting of Stockholders of **EXPRESS SCRIPTS HOLDING COMPANY**, a Delaware corporation (the Company or Express Scripts), will be held at the principal executive offices of the Company, One Express Way, Saint Louis, Missouri 63121, on Thursday, May 11, 2017, 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 2017;
3. to approve, by non-binding vote, the Company's executive compensation;
4. to recommend, by non-binding vote, the frequency of executive compensation votes;
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 13, 2017 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

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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 17, 2017

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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Letter to Stockholders

from the Lead Independent Director

Dear Fellow Stockholders:

Our Board continues to maintain a focus on effective corporate governance and high ethical standards, which we believe are important to the Company and protect the long-term interests of our stockholders. As the Lead Independent Director of Express Scripts, I would like to share my perspective on several critical matters that reflect our Board's governance philosophy.

Governance Practices

Through the leadership of our Corporate Governance Committee, our Board consistently reviews and considers our governance policies to ensure they meet the needs of the Company and the expectations of our stockholders. Examples of these best practices are discussed on page 18 of the Proxy Statement, many of which reflect the direct input of our stockholders.

Stockholder Engagement

We encourage and appreciate meaningful discussions with our stockholders and believe this mutual dialogue is an essential component of our Board's governance philosophy. For example, following discussion and engagement with a number of stockholders, in 2016, our Board unanimously adopted proxy access—a procedure that we believe is a mark of good governance and enhances our accountability to stockholders.

Board Structure and Strategic Oversight

Our Board has selected George Paz, the Company's former Chief Executive Officer, to serve as Chairman of the Board. We believe this Board structure is in the best long-term interests of our stockholders, as Mr. Paz holds deep industry and Company knowledge and a unique strategic perspective. Our Board has also selected me to serve as the Lead Independent Director, a position that I am honored to hold. As the Lead Independent Director, I am directly involved in key corporate decisions, including those involving strategic direction, executive leadership and governance matters. I regularly hold executive sessions with the other independent members of the Board and am empowered to call further meetings as needed. During these sessions, the independent Board members engage in meaningful discussion about important corporate and strategic matters. I am also involved in setting and ultimately approve meeting agendas for the Board. We believe the Lead Independent Director role has been and will continue to be an effective means for strengthening our corporate governance processes, empowering our independent directors and enhancing the overall functioning of the Board.

Board Composition and Diversity

We believe that broad-based diversity is an important attribute of a well-functioning Board. I am pleased that our Board reflects a diverse and highly engaged group of individuals with the experience and background necessary to oversee management effectively (see page 9 of our Proxy Statement for examples of our Board's diversity). Expanding female representation in the near term is also a top priority for the Board.

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Executive Compensation

We have designed our executive compensation program to align the interests of our senior leadership with the long-term interests of our stockholders. I am pleased to report that, in 2016, for the fifth year in a row, our executive compensation program received over 93% support from stockholders. The executive compensation program is primarily overseen by the Compensation Committee with general oversight of the Board, and we will continue to promote an executive compensation program that appropriately balances risk and reward, incentivizes long-term performance and does not encourage excessive or unnecessary risk taking.

Workforce Diversity and Inclusion

We believe that a diverse workforce with fair and equal opportunities for compensation and advancement is essential to driving strong performance. We have long supported diversity and equality in all areas of our business, including hiring and compensation, and I am proud that Express Scripts has been named a leader among Fortune 25 companies with a workforce that is 69% female and 39% minority. Over 45% of our leaders (director level or higher) are female and our commitment to diversity has been publicly recognized by Human Rights Campaign Foundation (100% on the 2017 Corporate Equality Index) and by DiversityInc (listed as top 25 noteworthy company for 2016).

I believe that our diverse and highly engaged Board continues to represent our stockholders in a manner that promotes the highest ethical standards and governance practices. I encourage our stockholders to remain engaged in order to support our common goal of promoting the long-term value of our Company.

Sincerely,

Tom Mac Mahon

Lead Independent Director

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PROXY STATEMENT

EXPRESS SCRIPTS HOLDING COMPANY

One Express Way

Saint Louis, Missouri 63121

2017 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 (the Board), a Delaware corporation, to be voted at the 2017 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 Thursday, May 11, 2017, 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 17, 2017, we made this proxy statement and form of proxy available online and mailed to our stockholders a notice containing instructions on how to access this proxy statement and our annual report to stockholders.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on May 11, 2017: 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**2017 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, Thursday, May 11, 2017

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

Record Date: March 13, 2017

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
1. Election of twelve directors	FOR EACH NOMINEE
2. Ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accountants for 2017	FOR
3. Approval, by non-binding vote, of the Company's executive compensation	FOR
4. Recommend, by non-binding vote, the frequency of executive compensation votes	EVERY 1 YEAR
5. Two stockholder proposals, if properly presented at the meeting	AGAINST

ELECTION OF DIRECTORS: BOARD NOMINEES

Name	Age	Director Since*	Committee Memberships	Other Current Public Company Boards
Maura C. Breen	61	2004	Compensation (Chair)	
Independent				
William J. DeLaney	61	2011	Audit Compensation	Sysco Corporation
Independent				

Elder Granger, MD, MG, USA (Retired)	63	2015	Compliance	DLH Holdings Corp.
Independent				
Nicholas J. LaHowchic	70	2001	Audit Compensation	
Independent				
Thomas P. Mac Mahon	70	2001	Corporate Governance (Chair)	PharMerica Corporation
Independent			Lead Independent Director	
Frank Mergenthaler	56	2009	Audit (Chair)	
Independent				
Woodrow A. Myers, Jr., MD	63	2007	Compensation Compliance	
Independent				
Roderick A. Palmore	65	2014	Corporate Governance	CBOE Holdings, Inc.
Independent				Goodyear Tire & Rubber Co.
George Paz	61	2004		Honeywell International, Inc.
				Prudential Financial, Inc.
William L. Roper, MD, MPH	68	2012	Compliance (Chair)	DaVita HealthCare Partners Inc.
Independent				
Seymour Sternberg	73	1992	Audit Corporate Governance	
Independent				
Timothy Wentworth	56	2015		

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

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2017 PROXY SUMMARY

ADVISORY VOTE: 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 2017.

ADVISORY VOTE ON EXECUTIVE COMPENSATION: NAMED EXECUTIVE OFFICERS

Timothy Wentworth, President since February 2014; President and Chief Executive Officer (CEO) since May 2016

Eric Slusser, Executive Vice President and Chief Financial Officer

Neal Sample, Senior Vice President and Chief Information Officer since February 2016

Christine Houston, Executive Vice President and Chief Operations Officer since December 2016 (Senior Vice President, Operations from February 2014 through December 2016)

David Queller, Senior Vice President, Sales and Account Management

George Paz, Chairman; former CEO (retired May 2016)

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. Although stockholder votes on executive compensation are non-binding, the Board and the Compensation Committee consider the results when reviewing whether any changes should be made to our compensation program and policies.

ADVISORY VOTE: FREQUENCY OF EXECUTIVE COMPENSATION VOTES

We are asking our stockholders to recommend on a non-binding basis the frequency of executive compensation advisory votes with respect to our named executive officers. Our Board recommends a vote for **EVERY 1 YEAR** because we believe our stockholders should consider our executive compensation program on an annual basis.

STOCKHOLDER PROPOSALS

Certain stockholders have submitted two proposals for consideration at the annual meeting. The proposals have been carefully considered by our Board, 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 2017 Annual Meeting on page 67.

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

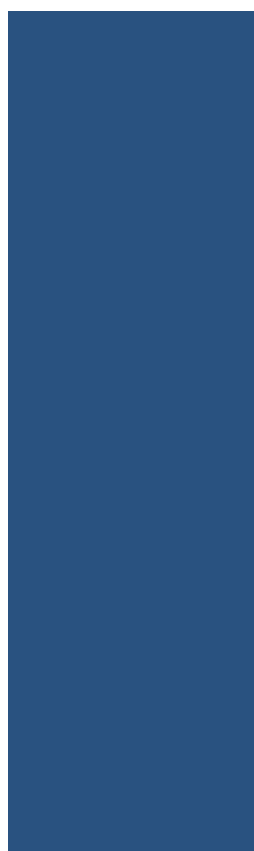
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2017 PROXY SUMMARY

KEY ELEMENTS OF OUR COMPENSATION PROGRAM

	Compensation Element	Purpose	Key Characteristics
Fixed Component	Base Salary	Provides a pay opportunity that is generally competitive with the companies with which we compete for talent	Determined by responsibility, level of position, competitive pay assessment and individual performance
	Annual Performance-Based Cash Bonus Awards	Rewards the achievement of operational and other performance goals Motivates performance by delivering greater rewards for superior Company and individual performance, while delivering reduced or no awards for Company or individual underperformance	An annual cash award, the payout of which is subject to a minimum EPS target and the discretion of the Compensation Committee
Performance-Based Component	Stock Options	Aligns compensation to long-term stockholder value and stock price appreciation	3-year ratable vesting 10-year expiration period



Restricted Stock Units	Aligns compensation to long-term stockholder value and stock price appreciation	3-year ratable vesting
		Vest based on the Company's performance over three years in two equally weighted categories:
Performance Shares	Rewards the achievement of long-term financial goals and value creation to our stockholders	Relative Total Stockholder Return
		Average Return on Invested Capital

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 that is generally competitive with a peer group of companies and other companies with which we compete for talent	a prohibition on pledging and trading in derivatives with respect to our common stock
a mix of short- and long-term performance incentives, with emphasis on long-term performance	a clawback policy
the regular risk assessment of compensation programs	no reportable perquisites (except relocation allowance)
stock ownership guidelines	no tax gross-ups for our senior executives

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(see page 42 for additional detail)

	Base Salary	Bonus	Restricted Stock and Performance Share Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other	Total
Timothy Wentworth(1)	\$ 1,214,231	\$	\$ 7,333,334	\$ 3,666,666	\$ 2,189,556	\$ 118,391	\$ 14,522,178
Eric Slusser	725,000		1,833,334	916,666	797,500	244,970	4,517,470
Neal Sample	507,692	500,000(2)	2,066,667(3)	533,333	462,000	314,271	4,383,963
Christine Houston	592,039		1,466,667	733,333	573,580	75,441	3,441,060
David Queller	564,385		1,466,667	733,333	522,111	73,613	3,360,109
George Paz(4)	\$ 754,379(5)	\$	\$ 6,833,334	\$ 3,416,666	\$ 724,129	\$ 188,293	\$ 11,916,801

(1) Mr. Wentworth assumed the role of our CEO effective May 4, 2016.

(2) Reflects a one-time sign-on bonus of \$500,000.

(3) Includes a one-time \$1,000,000 sign-on grant of restricted stock units.

(4) Mr. Paz retired as our CEO effective May 4, 2016 and remained an employee of the Company through June 1, 2016. For a summary of Mr. Paz's expected retirement benefits, see Employment Agreements and Potential Payments Upon Termination or Change in Control Estimated Benefits George Paz on page 57.

(5) Includes a \$172,981 payout of accrued paid time off in connection with Mr. Paz's retirement as CEO and \$22,917 related to Mr. Paz's continued employment through June 1, 2016. See Corporate Governance Directors Compensation on page 20 for information regarding compensation of Mr. Paz in his role as Chairman of the Board.

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ABOUT THE MEETING

ABOUT THE MEETING

1. Why Did I Receive this Proxy Statement?

Our Board is soliciting your proxy to vote at the meeting because you were a stockholder of our Company as of March 13, 2017, or the record date, and are entitled to vote.

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 2017 (see page 62);