

GOODYEAR TIRE & RUBBER CO /OH/
Form DEFA14A
April 05, 2013

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

THE GOODYEAR TIRE & RUBBER 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 the transaction applies:

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(3) Per unit price or other underlying value of the 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):

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Commencing on April 5, 2013, The Goodyear Tire & Rubber Company provided the following information to certain shareholders:

Say on Pay Proposal
April 5, 2013

Executive Summary
Strong Operating
Performance in 2012
Policies Around Pay
Indicate Board's
Attention to Best
Practices
Our
segment
operating
income
in
2012
was

the
second
highest
in
Goodyear's
history

We achieved record results in North America during 2012

We have continuously improved our compensation program by adopting emerging best practices. Examples include in recent years the addition of a TSR metric, double trigger change-in-control, elimination of tax gross-ups, prohibitions against pledging/hedging, among others.

Below Peer Median

Pay Indicate Good

Alignment with Peer

Group

A quantitative analysis of Goodyear's CEO pay vs. performance shows that below median total shareholder return is accompanied by below median pay.

Pay is targeted at about median going forward to reflect our CEO's successful tenure to date and the company's strong operating performance.

Our CEO's base salary is set at below median market rates.

Low Realized Pay*

and 90%

Performance-Based

Pay Indicate Pay for

Performance

Alignment

During

our

CEO's

tenure,

Goodyear

experienced

outstanding

results,

increasing

3

year

cumulative

segment operating income by 47% versus the cumulative total in the 3 years prior.

Only 10% of our CEO's compensation is fixed while the remaining 90% is performance-based variable pay.

Our CEO's realized pay has been significantly less than the reported Summary Compensation Table amount over the last 3 years.

Financial performance metrics and a TSR metric in the pay program align pay and performance.

Incentive plan performance goals reflect economic and business cycle; they do not reflect an effort to make awards easier to earn.

Executive Pay and Company Performance Are Well Aligned at Goodyear

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* Realized pay includes the base salary, annual incentive earned, long term incentive earned and the pre-tax compensation earned on options and vesting of stock awards regardless of when they were granted.

Strong 2012 Operating Performance
Reflected in Sound Compensation Plan
Metrics

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Record Results in
North America

Our performance in North America provides further strong evidence of success
We achieved record results of \$514 million in segment operating income in North America,
significantly exceeding 2013 target of \$450 million a year early

Enhanced Earnings
Power and
Consistency in a
Weak Environment

in 2012
Tire
industry
unit
volumes,
unlike
volumes
in
the
automotive
and
other
industries,
have
fallen
back to the low levels seen during the depths of the recent recession
Despite
this,
Goodyear's
segment
operating
income
in
2012
was
the
second
highest
in
Goodyear's history, following our record-setting performance in 2011
2011 and 2012 mark the only period in the history of Goodyear during which segment
operating income exceeded \$1.2 billion for two consecutive years
Increase in Segment
Operating Income
During Our CEO's
Tenure (2010-
present)*
Performance Metrics
Are Rigorous and
Reflect Market
Conditions
Goodyear is engaged in a multi-year cyclical business and performance metrics are adjusted
annually to reflect anticipated market conditions
Given
strong
tire
market
headwinds,
we
expected

a
larger
decline
in
earnings
in
2012

but
sound management led to above target achievement on three metrics and 2.5% below target
on the fourth metric

*See Reconciliation of Segment Operating Income to Net Income on
Slide 10

Realized Pay Shows Pay for Performance Alignment

As reported in the Summary Compensation Table at pages 40-42 of Goodyear's Proxy Statement dated March 18, 2013. For more information on our calculation of realized pay, see Summary of Realized Pay Earned by Our Chief Executive Officer for 2011 and 2012

at pages 42-43 of Goodyear's Proxy Statement dated March 18, 2013

Realized pay includes the base salary, annual incentive earned, long term incentive earned and the pre-tax compensation earned from the exercise of stock options and vesting of stock awards regardless of when they were granted; realizable pay, according to ISDA, is the sum of base salary, change in pension value, deferred compensation and all other compensation as reported in the Summary

Compensation Table, earned bonus, short-term cash incentives, the earned (or target if not yet earned) value of any long-term compensation awarded during the period, and fair value of all equity awarded (or earned, for performance shares where the performance period ended) during the prior three fiscal years, valued as of the most recent FY end date

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Our CEO's realized pay has been significantly less than the reported Summary Compensation Table amount over the last 3 years

Beginning with 2011 awards, over 70% of CEO compensation is influenced by stock price, tying executive pay to the stock price

The tables below show that CEO pay in fact closely tracks company performance

2012 Realized CEO Compensation

2010-2012 Realized CEO Compensation vs.
Summary Compensation Table

- (1)
- (2)
- (3)

Segment Operating Income vs. CEO

Total Compensation

5

Total CEO compensation over 3 years declined while company operating performance was strong

*See Reconciliation of Segment Operating Income to Net Income on Slide 10

Managing Pension Liabilities

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Management is

Taking Solid

Steps to Manage

Pension and

Retiree Liabilities

Froze U.S. salaried plan

Closed USW plan to new entrants

Created VEBA trust for USW retiree medical plans

Capped salaried retiree medical plan

At beginning of 2013, we implemented a hedging program to reduce

plan volatility

In February, we executed a plan to pre-fund frozen U.S. plans to eliminate ongoing risk

Strong

Performance in

Face of Unfunded

Pension Liability

Our performance is a significant achievement for a company dealing with unfunded pension liabilities that we estimate are dragging the stock price down by as much as \$7/share

This liability should not be seen as a reflection on the performance of the current management team or a cause of pay for performance misalignment

Management has led the company to record performance over the last two years in light

of the fact that the company's stock price has been negatively impacted by inherited pension liabilities that jumped due to an artificially low interest rate environment (~85% of the 5-year unfunded increase in U.S. plans)

Pension liabilities continue to provide a headwind to stock price even with record performance; management is taking steps to manage long-term pension liabilities

Peer Group is Well Structured for
Goodyear

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Continuous Focus On Best Practices

Around Pay

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LTI Tied to

TSR vs. S&P 500

Prohibit Hedging and

Pledging

Payouts earned under our long-term incentive plans based on financial performance are subject to an increase or decrease of up to 20% based on our total shareholder return versus the S&P 500 over the three-year period of the awards, beginning with our 2011 award cycle

We prohibit the hedging and pledging of our common stock by officers, directors and

employees,
most
recently
strengthening
those
prohibitions
in
2011

Robust Stockholding Guidelines

We have robust stockholding guidelines for officers and directors, including stock retention provisions following the exercise of stock options or the vesting of other stock-based awards that require continued share retention even after targeted levels of ownership are attained.

We
most
recently
strengthened
those
guidelines
in
2011

Double-Trigger Change- in-Control Provisions

We included double-trigger change-in-control provisions in our change-in-control plan since 2007 and in our equity compensation plans since 2008

Our Compensation Committee has adopted a number of best practices that are consistent with our performance-based compensation philosophy and serve the long-term interests of our shareholders

Eliminated Tax

Gross-Ups

Clawback Policy

We adopted a clawback policy in 2011

We
eliminated
excise
tax
gross-ups
and
walk
away
rights
in
our
change-in-control
plan
for

future
participants
in
2010
and
for
all
participants
in
2013
We
eliminated
tax
gross-ups
to
our
executive
officers
for
all
perquisites
beginning
in
2009

Support our 2013 Say on Pay Proposal

Our

Board of Directors is confident that the company's executive compensation program has been

a key factor in driving Goodyear's operating performance

Our operating and financial performance was strong in 2012 and our payouts mirrored that performance

Realized pay data and below median relative pay indicate that the pay program's structure aligns pay and performance

Our continued engagement with shareholders on this matter and adoption of emerging best practices demonstrates the Board's commitment to improving the program

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The Board firmly believes that Goodyear's executive pay plans are aligned with shareholder interests and are instrumental to our ability to continue to attract,

incent, motivate and retain the best management team in the industry and to continue Goodyear's positive momentum

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Reconciliation of
Segment Operating Income
Twelve Months Ended
December 31,
(\$ in millions)

