

WASTE MANAGEMENT INC

Form DEF 14A

March 24, 2017

[Table of Contents](#)

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

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 Rule 14a-12

**Waste Management, 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.

Table of Contents

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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:



**Table of Contents**

**1001 Fannin Street**

**Houston, Texas 77002**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
OF WASTE MANAGEMENT, INC.**

**Date and Time:**

May 12, 2017 at 11:00 a.m., Central Time

**Place:**

The Maury Myers Conference Center

Waste Management, Inc.

1021 Main Street

Houston, Texas 77002

**Purpose:**

To elect nine directors;

To vote on a proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017;

To vote on a proposal to approve our executive compensation;

To vote on a proposal regarding the frequency of the advisory vote on our executive compensation;

To vote on a stockholder proposal regarding a policy on acceleration of vesting of equity awards in the event of a change in control, if properly presented at the meeting; and

To conduct other business that is properly raised at the meeting.  
Only stockholders of record on March 15, 2017 may vote at the meeting.

Your vote is important. We urge you to promptly vote your shares by telephone, by the Internet or, if this Proxy Statement was mailed to you, by completing, signing, dating and returning your proxy card as soon as possible in the enclosed postage prepaid envelope.

COURTNEY A. TIPPY  
*Corporate Secretary*

March 24, 2017

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 12, 2017: This Notice of Annual Meeting and Proxy Statement and the Company's Annual Report on Form 10-K for the year ended December 31, 2016 are available at [www.wm.com](http://www.wm.com).**

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>GENERAL INFORMATION</u></b>	<b>Page</b>
<b><u>BOARD OF DIRECTORS</u></b>	1
<u>Leadership Structure</u>	5
<u>Role in Risk Oversight</u>	5
<u>Independence of Board Members</u>	6
<u>Meetings and Board Committees</u>	7
<u>Audit Committee</u>	7
<u>Audit Committee Report</u>	9
<u>Management Development and Compensation Committee</u>	10
<u>Compensation Committee Report</u>	11
<u>Compensation Committee Interlocks and Insider Participation</u>	11
<u>Nominating and Governance Committee</u>	11
<u>Related Party Transactions</u>	12
<u>Special Committee</u>	13
<u>Board of Directors Governing Documents</u>	13
<u>Non-Employee Director Compensation</u>	13
<b><u>ELECTION OF DIRECTORS (Item 1 on the Proxy Card)</u></b>	16
<b><u>DIRECTOR AND OFFICER STOCK OWNERSHIP</u></b>	20
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS</u></b>	22
<b><u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u></b>	22
<b><u>EXECUTIVE OFFICERS</u></b>	23
<b><u>EXECUTIVE COMPENSATION</u></b>	24
<b><u>Compensation Discussion and Analysis</u></b>	24
<u>Executive Summary</u>	24
<u>Our Compensation Philosophy for Named Executive Officers</u>	26
<u>Overview of Elements of Our 2016 Compensation Program</u>	28
<u>How Named Executive Officer Compensation Decisions are Made</u>	30
<u>Named Executives 2016 Compensation Program and Results</u>	35
<u>Other Compensation Policies and Practices</u>	39
<b><u>Executive Compensation Tables</u></b>	42
<u>Summary Compensation Table</u>	42
<u>Grant of Plan-Based Awards in 2016</u>	45
<u>Outstanding Equity Awards at December 31, 2016</u>	47
<u>Option Exercises and Stock Vested</u>	48
<u>Nonqualified Deferred Compensation in 2016</u>	48
<u>Potential Payments Upon Termination or Change in Control</u>	49
<u>Equity Compensation Plan Table</u>	55
<b><u>RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	
<b><u>(Item 2 on the Proxy Card)</u></b>	56
<b><u>ADVISORY VOTE ON EXECUTIVE COMPENSATION (Item 3 on the Proxy Card)</u></b>	57
<b><u>ADVISORY VOTE ON FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE</u></b>	
<b><u>COMPENSATION (Item 4 on the Proxy Card)</u></b>	59
<b><u>STOCKHOLDER PROPOSAL (Item 5 on the Proxy Card)</u></b>	60

**OTHER MATTERS**

62

**Table of Contents**

**PROXY STATEMENT**  
**ANNUAL MEETING OF STOCKHOLDERS**

**WASTE MANAGEMENT, INC.**

**1001 Fannin Street**

**Houston, Texas 77002**

Waste Management, Inc. is a holding company, and all operations are conducted by its subsidiaries. Our subsidiaries are operated and managed locally and focus on providing services in distinct geographic areas. Through our subsidiaries, we are North America's leading provider of comprehensive waste management environmental services, and we are also a leading developer, operator and owner of landfill gas-to-energy facilities in the United States.

Our Board of Directors is soliciting your proxy for the 2017 Annual Meeting of Stockholders and at any postponement or adjournment of the meeting. We are furnishing proxy materials to our stockholders primarily via the Internet. On March 24, 2017, we sent an electronic notice of how to access our proxy materials and our Annual Report to stockholders that have previously signed up to receive their proxy materials via the Internet. On March 24, 2017, we began mailing a Notice of Internet Availability of Proxy Materials to those stockholders that previously have not signed up for electronic delivery. The Notice contains instructions on how stockholders can access our proxy materials on the website referred to in the Notice or request that a printed set of the proxy materials be sent to them. Internet distribution of our proxy materials is designed to expedite receipt by stockholders, lower the costs of the annual meeting, and conserve natural resources.

<b>Record Date</b>	March 15, 2017.
<b>Quorum</b>	A majority of shares outstanding on the record date must be present in person or by proxy.
<b>Shares Outstanding</b>	There were 441,798,677 shares of Common Stock outstanding and entitled to vote as of March 15, 2017.
<b>Voting by Proxy</b>	Internet, phone, or mail.
<b>Voting at the Meeting</b>	Stockholders can vote in person during the meeting. Stockholders of record will be on a list held by the inspector of elections. Beneficial holders must obtain a proxy from their brokerage firm, bank, or other stockholder of record and present it to the inspector of elections with their ballot. Voting in person by a stockholder will replace any previous votes submitted by proxy.



**Changing Your Vote**

Stockholders of record may revoke their proxy at any time before we vote it at the meeting by submitting a later-dated proxy via the Internet, by telephone, by mail, by delivering instructions to our Corporate Secretary before the annual meeting revoking the proxy or by voting in person at the annual meeting. If you hold shares through a bank or brokerage firm, you may revoke any prior voting instructions by contacting that firm.

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**Table of Contents**

**Votes Required to Adopt Proposals**

Each share of our Common Stock outstanding on the record date is entitled to one vote on each of the nine director nominees and one vote on each other matter. To be elected, a director must receive a majority of the votes cast with respect to that director at the meeting. This means that the number of shares voted for a director must exceed 50% of the votes cast with respect to that director. Each of the other proposals requires the favorable vote of a majority of the shares present, either by proxy or in person, and entitled to vote, except with respect to proposal 4, the frequency of future advisory votes on executive compensation, the alternative receiving a majority of the votes cast every year, every two years or every three years will be the frequency that stockholders approve. If none of the frequency alternatives receive a majority of the votes cast, the alternative receiving the greatest number of votes cast will be the frequency that stockholders approve.

**Effect of Abstentions and Broker Non-Votes**

Abstentions will have no effect on the election of directors or the frequency of future advisory votes on executive compensation. For each of the other proposals, abstentions will have the same effect as a vote *against* these matters because they are considered present and entitled to vote.

If your shares are held by a broker, the broker will ask you how you want your shares to be voted. If you give the broker instructions, your shares must be voted as you direct. If you do not give instructions, one of two things can happen depending on the type of proposal. For the proposal to ratify selection of the Company's independent registered public accounting firm, the broker may vote your shares at its discretion. But for all other proposals in this Proxy Statement, including the election of directors, the advisory vote on executive compensation, the vote on the frequency of future advisory votes on executive compensation and the stockholder proposal, the broker cannot vote your shares at all. When that happens, it is called a broker non-vote. Broker non-votes are counted in determining the presence of a quorum at the meeting, but they are not counted for purposes of calculating the shares present and entitled to vote on particular proposals at the meeting.

**Voting Instructions**

You may receive more than one proxy card depending on how you hold your shares. If you hold shares through a broker, your ability to vote by phone or over the Internet depends on your broker's voting process. You should complete and return each proxy or other voting instruction request provided to you.

If you complete and submit your proxy voting instructions, the persons named as proxies will follow your instructions. If you submit your proxy

but do not give voting instructions, we will vote your shares as follows:

*FOR* our director candidates;

*FOR* the ratification of the independent registered public accounting firm;

*FOR* approval of our executive compensation;

**Table of Contents**

*FOR* conducting future advisory votes on executive compensation annually; and

*AGAINST* the stockholder proposal regarding a policy restricting accelerated vesting of equity awards upon a change in control.

If you give us your proxy, any other matters that may properly come before the meeting will be voted at the discretion of the proxy holders.

**Attending in Person**

Only stockholders, their proxy holders and our invited guests may attend the meeting. If you plan to attend, please bring identification and, if you hold shares in street name, bring your bank or broker statement showing your beneficial ownership of Waste Management stock in order to be admitted to the meeting. If you are planning to attend our annual meeting and require directions to the meeting, please contact our Corporate Secretary at 713-512-6200.

The only items on the agenda for this year's annual meeting are the items set out in the Notice. There will be no presentations.

**Stockholder Proposals and Nominees for the 2018 Annual Meeting**

Eligible stockholders who wish to submit a proposal for inclusion in the proxy statement for our 2018 Annual Meeting should notify our Corporate Secretary at Waste Management, Inc., 1001 Fannin Street, Houston, Texas 77002. The written proposal must be received at our offices on or before November 24, 2017, and the stockholder must have been the registered or beneficial owner of (a) at least 1% of our outstanding Common Stock or (b) shares of our Common Stock with a market value of \$2,000 for at least one year before submitting the proposal. The proposal must comply with the requirements set forth in the federal securities laws, including Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in order to be included in the Company's proxy statement and proxy card for the 2018 Annual Meeting.

In addition, the Company's By-laws establish an advance notice procedure with regard to certain matters to be brought before an annual meeting of stockholders, including stockholder proposals that are not included in the Company's proxy materials and nominations of persons for election as directors. In accordance with our By-laws, for a proposal or nominee not included in our proxy materials to be properly brought before the 2018 Annual Meeting, a stockholder's notice must be delivered to or mailed and received by the Company not less than 120 days nor more than 150 days in advance of the first anniversary of the 2017 Annual Meeting. As a result, any such stockholder's notice for the 2018

Annual Meeting shall be received no earlier than December 13, 2017 and no later than January 12, 2018 and must contain certain information specified in the Company's By-laws. The stockholder's notice should be delivered to our Corporate Secretary at Waste Management, Inc., 1001 Fannin Street, Houston, Texas 77002. A copy of our By-laws may be obtained free of charge by writing to our Corporate Secretary and is available in the Corporate Governance section of the Investor Relations page on our website at [www.wm.com](http://www.wm.com).

**Table of Contents**

**Expenses of Solicitation**

We pay the cost of preparing, assembling and mailing this proxy-soliciting material. In addition to the use of the mail, proxies may be solicited personally, by Internet or telephone, or by Waste Management officers and employees without additional compensation. We pay all costs of solicitation, including certain expenses of brokers and nominees who mail proxy materials to their customers or principals. Also, Innisfree M&A Incorporated has been hired to help in the solicitation of proxies for the 2017 Annual Meeting for a fee of \$15,000 plus associated costs and expenses.

**Annual Report**

A copy of our Annual Report on Form 10-K for the year ended December 31, 2016, which includes our financial statements for fiscal year 2016, is included with this Proxy Statement. The Annual Report on Form 10-K is not incorporated by reference into this Proxy Statement or deemed to be a part of the materials for the solicitation of proxies.

**Householding Information**

We have adopted a procedure approved by the SEC called householding. Under this procedure, stockholders of record who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of the Proxy Statement and Annual Report unless we are notified that one or more of these individuals wishes to receive separate copies. This procedure helps reduce our printing costs and postage fees.

If you wish to receive a separate copy of this Proxy Statement and the Annual Report, please contact: Waste Management, Inc., Corporate Secretary, 1001 Fannin Street, Houston, Texas 77002, telephone 713-512-6200.

If you do not wish to participate in householding in the future, and prefer to receive separate copies of the proxy materials, please contact: Broadridge Financial Solutions, Attention Household Department, 51 Mercedes Way, Edgewood, NY 11717, telephone 1-866-540-7095. If you are currently receiving multiple copies of proxy materials and wish to receive only one copy for your household, please contact Broadridge.

## **Table of Contents**

### **BOARD OF DIRECTORS**

Our Board of Directors currently has nine members. Each member of our Board is elected annually. Mr. Bradbury (Brad) H. Anderson is the Non-Executive Chairman of the Board and presides over all meetings of the Board, including executive sessions that only non-employee directors attend.

Stockholders and interested parties wishing to communicate with the Board or the non-employee directors should address their communications to Mr. Brad Anderson, Non-Executive Chairman of the Board, c/o Waste Management, Inc., P.O. Box 53569, Houston, Texas 77052-3569.

### **Leadership Structure**

We separated the roles of Chairman of the Board and Chief Executive Officer at our Company in 2004. We believe that having a Non-Executive Chairman of the Board is in the best interests of the Company and stockholders, due in part to the ever-increasing demands made on boards of directors under federal securities laws, national stock exchange rules and other federal and state regulations. The Non-Executive Chairman's responsibilities include leading full Board meetings and executive sessions and managing the Board function. On February 4, 2017, Mr. W. Robert Reum, the Company's Chairman of the Board, passed away. The Board elected Mr. Brad Anderson to serve as Chairman of the Board effective February 27, 2017, due to his experience serving in board and executive leadership roles at large public companies, as well as his deep understanding of our Company and strategy. On the same date, Mr. Anderson was named to the Audit Committee of the Board, such that he now serves on all three Board committees.

The separation of the positions allows our Chairman of the Board to focus on management of Board matters and allows our Chief Executive Officer to focus his attention on managing our business. Additionally, we believe the separation of those roles contributes to the independence of the Board in its oversight role and in assessing the Chief Executive Officer and management generally.

### **Role in Risk Oversight**

Our executive officers have primary responsibility for risk management within our Company. Our Board of Directors oversees risk management to ensure that the processes designed, implemented and maintained by our executives are functioning as intended and adapted when necessary to respond to changes in our Company's strategy as well as emerging risks. The primary means by which our Board oversees our risk management processes is through its regular communications with management and by regularly reviewing our enterprise risk management, or ERM, framework. We believe that our leadership team's engagement and communication methods are supportive of comprehensive risk management practices and that our Board's involvement is appropriate to ensure effective oversight.

Our ERM framework and processes are coordinated by an ERM Committee consisting of our Chief Financial Officer, Chief Operating Officer, Chief Legal Officer and head of Internal Audit. The ERM process is supported by Internal Audit conducting regular inquiries of our Company's Senior Leadership Team and additional members of senior management. Internal Audit conducts these inquiries to identify and assess enterprise risks, including emerging risk and other key risks that may affect the execution of our strategic priorities or achievement of our long-term outlook. As a result of this process, we have grouped our risk focus across the following areas:

Strategic;

Operational;

Compliance; and

External.

The ERM program and process continue to evolve with enhancements made annually. Board members are polled to collect their thoughts on significant enterprise risks facing our Company and how the reporting format



## **Table of Contents**

should be revised to improve management's communication of enterprise risks to our Board. We assign champions across the aforementioned areas, who work with the ERM Committee to establish a more comprehensive risk mitigation strategy for identified enterprise risks. The ERM Committee will review the assessment of the risks in each area and the proposed mitigation strategy and determine what adjustments, additions, or changes are appropriate.

Our Board of Directors generally has seven regular meetings per year, five of which are in person, including one meeting that is dedicated specifically to strategic planning, and regular updates are given to our Board of Directors on all Company risks. At each of these meetings, our President and Chief Executive Officer; Chief Financial Officer and Chief Legal Officer are asked to report to our Board and, when appropriate, specific committees. Additionally, other members of management and employees are requested to attend meetings and present information, including those responsible for our Internal Audit, Environmental Audit, Business Ethics and Compliance, Human Resources, Government Affairs, Information Technology, Risk Management, Safety, Finance and Accounting functions.

One of the purposes of these presentations is to provide direct communication between members of our Board and members of management. The presentations provide members of our Board with the information necessary to understand our risk profile, including information regarding the specific risk environment, exposures affecting our operations and our plans to address such risks. In addition to communicating general updates of our operational and financial condition, management reports to our Board on a number of specific issues meant to inform our Board about our outlook and forecasts, and any impediments to meeting those or our strategies generally. These direct communications between management and our Board of Directors allow our Board to assess management's evaluation and management of risk.

Management is encouraged to communicate with our Board of Directors with respect to extraordinary risk issues or developments that may require more immediate attention between regularly scheduled Board meetings. Our Non-Executive Chairman of the Board facilitates communications with our Board of Directors as a whole and is integral in initiating the discussions among the independent Board members necessary to ensure management is adequately evaluating and managing our Company's risks. These intra-Board communications are essential to our Board's oversight function. Additionally, all members of our Board are invited to attend all committee meetings, regardless of whether the individual sits on the specific committee, and committee chairs report to the full Board. These practices ensure that all issues affecting our Company are considered in relation to each other; and by doing so, risks that affect one aspect of our Company can be taken into consideration when evaluating other risks.

In addition, the Audit Committee is responsible for ensuring that an effective risk assessment process is in place, and quarterly reports are made to the Audit Committee on all financial and compliance risks in accordance with New York Stock Exchange requirements.

## **Independence of Board Members**

The Board of Directors has determined that each of the following eight non-employee director candidates is independent in accordance with the New York Stock Exchange listing standards:

Bradbury H. Anderson

Frank M. Clark, Jr.

Andrés R. Gluski

Patrick W. Gross

Victoria M. Holt

Kathleen M. Mazzarella

John C. Pope

Thomas H. Weidemeyer

Mr. James C. Fish, Jr., our President and Chief Executive Officer, is also a director of the Company. As an employee of the Company, Mr. Fish is not an independent director.

## **Table of Contents**

To assist the Board in determining independence, the Board of Directors adopted categorical standards of director independence, which meet or exceed the requirements of the New York Stock Exchange. These standards specify certain relationships that are prohibited in order for the non-employee director to be deemed independent. The categorical standards our Board uses in determining independence are included in our Corporate Governance Guidelines, which can be found on our website. In addition to these categorical standards, our Board makes a subjective determination of independence considering relevant facts and circumstances.

The Board reviewed all commercial and non-profit affiliations of each non-employee director and the dollar amount of all transactions between the Company and each entity with which a non-employee director is affiliated to determine independence. These transactions consisted of the Company, through its subsidiaries, providing waste management services in the ordinary course of business and the Company's subsidiaries purchasing goods and services in the ordinary course of business and included commercial dealings with Graybar Electric Company, Inc., The AES Corporation and Proto Labs, Inc. Ms. Mazzarella, Mr. Gluski and Ms. Holt, respectively, are the chief executive officer of these entities. The Board concluded there are no transactions between the Company and any entity with which a non-employee director is affiliated that (a) are prohibited by our categorical standards of independence, (b) are material individually or in the aggregate or (c) in which any of the Company's non-employee directors have or had a material direct or indirect interest. Accordingly, the Board has determined that each non-employee director candidate meets the categorical standards of independence and that there are no relationships that would affect independence.

## **Meetings and Board Committees**

Last year the Board held seven regular meetings and three special meetings, and each committee of the Board met independently as set forth below. Each director attended at least 75% of the meetings of the Board and the committees on which he or she served. In addition, all directors attended the 2016 Annual Meeting of Stockholders. Although we do not have a formal policy regarding director attendance at annual meetings, it has been longstanding practice that all directors attend unless there are unavoidable schedule conflicts or unforeseen circumstances.

The Board appoints committees to help carry out its duties. Committee members take on greater responsibility for key issues, although all members of the Board are invited to attend all committee meetings and the committee reviews the results of its meetings with the full Board. The Board has three separate standing committees: the Audit Committee; the Management Development and Compensation Committee (the "MD&C Committee"); and the Nominating and Governance Committee. Additionally, the Board has the power to appoint additional committees, as it deems necessary. In 2006, the Board appointed a Special Committee, as described below.

### ***The Audit Committee***

Mr. Gross has been the Chairman of our Audit Committee since May 2010. The other members of our Audit Committee are Ms. Holt and Messrs. Anderson, Clark, Gluski and Weidemeyer. Mr. Reum also served on our Audit Committee until his passing in February 2017. Each member of our Audit Committee satisfies the additional New York Stock Exchange independence standards for audit committees set forth in Section 10A of the Exchange Act. Our Audit Committee held nine meetings in 2016.

Our Board of Directors has determined that Audit Committee Chairman Mr. Gross, and each of Messrs. Anderson, Clark and Gluski and Ms. Holt are audit committee financial experts as defined by the SEC based on a thorough review of their education and financial and public company experience.

Mr. Gross was a founder of American Management Systems where he was principal executive officer for over 30 years. Since 2001, he has served as Chairman of The Lovell Group, a private investment and advisory firm. Mr. Gross holds an MBA from the Stanford University Graduate School of Business, a master's degree in engineering science from the University of Michigan and a bachelor's degree in engineering science from Rensselaer Polytechnic Institute.

## **Table of Contents**

Mr. Anderson served as Vice Chairman and Chief Executive Officer of Best Buy Co., Inc. from 2002 to 2009. Mr. Anderson has also served on the Audit Committee of the Board of Directors for Carlson Company, Inc., a private company, and he has served on the Audit and Compliance Committee of the Board of Trustees for Mayo Clinic. Mr. Anderson holds a bachelor's degree from the University of Denver.

Mr. Clark served as Chairman and Chief Executive Officer of ComEd from November 2005 to February 2012 and President of ComEd from 2001 to 2005. Mr. Clark holds a LLB from DePaul University College of Law and a BBA from DePaul University.

Mr. Gluski has served as President and Chief Executive Officer of The AES Corporation since 2011 and was Executive Vice President and Chief Operating Officer of The AES Corporation from 2007 to 2011. Mr. Gluski is a graduate of Wake Forest University and holds a PhD and MA in Economics from the University of Virginia.

Ms. Holt has served as President and Chief Executive Officer of Proto Labs, Inc. since February 2014 and was President and Chief Executive Officer of Spartech Corporation from 2010 to March 2013. Prior to joining Spartech, she served as Senior Vice President of PPG Industries, Inc. for over five years. Ms. Holt holds an MBA from Pace University and a bachelor's degree in chemistry from Duke University.

The Audit Committee's duties are set forth in a written charter that was approved by the Board of Directors. A copy of the charter can be found on our website. The Audit Committee generally is responsible for overseeing all matters relating to our financial statements and reporting, independent auditors and internal audit function. As part of its function, the Audit Committee reports the results of all of its reviews to the full Board. In fulfilling its duties, the Audit Committee, has the following responsibilities:

### *Administrative Responsibilities*

Report to the Board, at least annually, all public company audit committee memberships by members of the Audit Committee;

Perform an annual review of its performance relative to its charter and report the results of its evaluation to the full Board; and

Adopt an orientation program for new Audit Committee members.

### *Financial Statements*

Review financial statements and Forms 10-K and 10-Q with management and the independent auditor;

Review all earnings press releases and discuss with management the type of earnings guidance that we provide to analysts and rating agencies;

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Discuss with the independent auditor any material changes to our accounting principles and matters required to be communicated by Public Company Accounting Oversight Board (United States) Auditing Standard No. 1301 *Communications with Audit Committees*;

Review our financial reporting, accounting and auditing practices with management, the independent auditor and our internal auditors;

Review management's and the independent auditor's assessment of the adequacy and effectiveness of internal controls over financial reporting; and

Review executive officer certifications related to our reports and filings.

*Independent Auditor*

Engage an independent auditor, determine the auditor's compensation and replace the auditor if necessary;

Review the independence of the independent auditor and establish our policies for hiring current or former employees of the independent auditor;

## **Table of Contents**

Evaluate the lead partner of our independent audit team and review a report, at least annually, describing the independent auditor's internal control procedures; and

Pre-approve all services, including non-audit engagements, provided by the independent auditor.

### ***Internal Audit***

Review the plans, staffing, reports and activities of the internal auditors; and

Review and establish procedures for receiving, retaining and handling complaints, including anonymous complaints by our employees, regarding accounting, internal controls and auditing matters.

### **Audit Committee Report**

The role of the Audit Committee is, among other things, to oversee the Company's financial reporting process on behalf of the Board of Directors, to recommend to the Board whether the Company's financial statements should be included in the Company's Annual Report on Form 10-K and to select the independent auditor for ratification by stockholders. Company management is responsible for the Company's financial statements as well as for its financial reporting process, accounting principles and internal controls. The Company's independent auditors are responsible for performing an audit of the Company's financial statements and expressing an opinion as to the conformity of such financial statements with accounting principles generally accepted in the United States.

The Audit Committee has reviewed and discussed the Company's audited financial statements as of and for the year ended December 31, 2016 with management and the independent registered public accounting firm, and has taken the following steps in making its recommendation that the Company's financial statements be included in its annual report:

First, the Audit Committee discussed with Ernst & Young, the Company's independent registered public accounting firm for fiscal year 2016, those matters required to be discussed by Public Company Accounting Oversight Board (United States) Auditing Standard No. 1301 *Communications with Audit Committees*, including information regarding the scope and results of the audit. These communications and discussions are intended to assist the Audit Committee in overseeing the financial reporting and disclosure process.

Second, the Audit Committee discussed with Ernst & Young its independence and received from Ernst & Young a letter concerning independence as required under applicable independence standards for auditors of public companies. This discussion and disclosure helped the Audit Committee in evaluating such independence. The Audit Committee also considered whether the provision of other non-audit services to the Company is compatible with the auditor's independence.

Third, the Audit Committee met periodically with members of management, the internal auditors and Ernst & Young to review and discuss internal controls over financial reporting. Further, the Audit Committee reviewed and discussed management's report on internal control over financial reporting as of

December 31, 2016, as well as Ernst & Young's report regarding the effectiveness of internal control over financial reporting.

Finally, the Audit Committee reviewed and discussed, with the Company's management and Ernst & Young, the Company's audited consolidated balance sheet as of December 31, 2016, and consolidated statements of operations, comprehensive income, cash flows and changes in equity for the fiscal year ended December 31, 2016, including the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of the disclosure.

The Committee has also discussed with the Company's internal auditors and independent registered public accounting firm the overall scope and plans of their respective audits. The Committee meets periodically with both the internal auditors and independent registered public accounting firm, with and without management present, to discuss the results of their examinations and their evaluations of the Company's internal controls over financial reporting.



## **Table of Contents**

The members of the Audit Committee are not engaged in the accounting or auditing profession and, consequently, are not experts in matters involving auditing or accounting. In the performance of their oversight function, the members of the Audit Committee necessarily relied upon the information, opinions, reports and statements presented to them by Company management and by the independent registered public accounting firm.

Based on the reviews and discussions explained above (and without other independent verification), the Audit Committee recommended to the Board (and the Board approved) that the Company's financial statements be included in its annual report for its fiscal year ended December 31, 2016. The Committee has also approved the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2017.

The Audit Committee of the Board of Directors

Patrick W. Gross, *Chairman*

Bradbury H. Anderson

Frank M. Clark, Jr.

Andrés R. Gluski

Victoria M. Holt

Thomas H. Weidemeyer

## ***The Management Development and Compensation Committee***

Mr. Clark has served as the Chairman of our MD&C Committee since May 2011. The other members of the Committee are Ms. Holt, Ms. Mazzarella and Messrs. Anderson, Gluski and Pope. Mr. Reum also served on our MD&C Committee until his passing in February 2017. Each member of our MD&C Committee is independent in accordance with the rules and regulations of the New York Stock Exchange. The MD&C Committee held six regular meetings and four special meetings in 2016.

Our MD&C Committee is responsible for overseeing all of our executive officer compensation, as well as developing the Company's compensation philosophy generally. The MD&C Committee's written charter, which was approved by the Board of Directors, can be found on our website. In fulfilling its duties, the MD&C Committee has the following responsibilities:

Review and establish policies governing the compensation and benefits of all of our executives;

Approve the compensation of our executive officers and senior leadership team and set the bonus plan goals for those individuals;

Conduct an annual evaluation of our Chief Executive Officer by all independent directors to set his compensation;

Oversee the administration of all of our equity-based incentive plans;

Review the results of the stockholder advisory vote on executive compensation and consider any implications of such voting results on the Company's compensation programs;

Recommend to the full Board new Company compensation and benefit plans or changes to our existing plans;

Evaluate and recommend to the Board the compensation paid to our non-employee directors;

Review the independence of the MD&C Committee's compensation consultant annually; and

Perform an annual review of its performance relative to its charter and report the results of its evaluation to the full Board.

In overseeing compensation matters, the MD&C Committee may delegate authority for day-to-day administration and interpretation of the Company's plans, including selection of participants, determination of

## **Table of Contents**

award levels within plan parameters, and approval of award documents, to Company employees. However, the MD&C Committee may not delegate any authority to Company employees under those plans for matters affecting the compensation and benefits of the executive officers. For additional information on the MD&C Committee, see the *Compensation Discussion and Analysis* beginning on page 24.

### **Compensation Committee Report**

The MD&C Committee has reviewed and discussed the *Compensation Discussion and Analysis*, beginning on page 24, with management. Based on the review and discussions, the MD&C Committee recommended to the Board of Directors that the *Compensation Discussion and Analysis* be included in the Company's Proxy Statement.

The Management Development and Compensation

Committee of the Board of Directors

Frank M. Clark, Jr., *Chairman*

Bradbury H. Anderson

Andrés R. Gluski

Victoria M. Holt

Kathleen M. Mazzarella

John C. Pope

### **Compensation Committee Interlocks and Insider Participation**

During 2016, Ms. Holt, Ms. Mazzarella and Messrs. Anderson, Clark, Gluski, Pope and Reum served on the MD&C Committee. No member of the MD&C Committee was an officer or employee of the Company during 2016; no member of the MD&C Committee is a former officer of the Company; and during 2016, none of our executive officers served as a member of a board of directors or compensation committee of any entity that has one or more executive officers who serve on our Board of Directors or MD&C Committee.

### ***The Nominating and Governance Committee***

Mr. Weidemeyer has served as the Chairman of our Nominating and Governance Committee since May 2011. The other members of the Committee include Ms. Mazzarella and Messrs. Anderson, Gross and Pope. Mr. Reum also served on our Nominating and Governance Committee until his passing in February 2017. Each member of our Nominating and Governance Committee is independent in accordance with the rules and regulations of the New York Stock Exchange. In 2016, the Nominating and Governance Committee met five times.

The Nominating and Governance Committee has a written charter that has been approved by the Board of Directors and can be found on our website. It is the duty of the Nominating and Governance Committee to oversee matters regarding corporate governance. In fulfilling its duties, the Nominating and Governance Committee has the following responsibilities:

Review and recommend the composition of our Board, including the nature and duties of each of our committees, in accordance with our Corporate Governance Guidelines;

Evaluate the charters of each of the committees and recommend directors to serve as committee chairs;

Review individual director's performance in consultation with the Chairman of the Board and review the overall effectiveness of the Board;

Recommend retirement policies for the Board, the terms for directors and the proper ratio of employee directors to outside directors;

Perform an annual review of its performance relative to its charter and report the results of its evaluation to the full Board;

## **Table of Contents**

Review stockholder proposals received for inclusion in the Company's proxy statement and recommend action to be taken with regard to the proposals to the Board; and

Identify and recommend to the Board candidates to fill director vacancies.

Potential new director candidates are identified through various methods; the Nominating and Governance Committee welcomes suggestions from directors, members of management, and stockholders. From time to time, the Nominating and Governance Committee uses outside consultants to assist it with identifying potential director candidates. For all potential candidates, the Nominating and Governance Committee considers all factors it deems relevant, such as a candidate's personal and professional integrity and sound judgment, business and professional skills and experience, independence, possible conflicts of interest, diversity, and the potential for effectiveness, in conjunction with the other directors, to serve the long-term interests of the stockholders. While there is no formal policy with regard to consideration of diversity in identifying director nominees, the Committee considers diversity in business experience, professional expertise, gender and ethnic background, along with various other factors when evaluating director nominees. The Committee uses a matrix of functional and industry experiences to develop criteria to select candidates. Before being nominated by the Nominating and Governance Committee, director candidates are interviewed by the Chief Executive Officer and a minimum of two members of the Nominating and Governance Committee, including the Non-Executive Chairman of the Board. Additional interviews typically include other members of the Board, representatives from senior levels of management and an outside consultant.

The Nominating and Governance Committee will consider all potential nominees on their merits without regard to the source of recommendation. The Nominating and Governance Committee believes that the nominating process will and should continue to involve significant subjective judgments. To suggest a nominee for consideration by the Nominating and Governance Committee, you should submit your candidate's name, together with biographical information and his or her written consent to nomination to the Chairman of the Nominating and Governance Committee, Waste Management, Inc., 1001 Fannin Street, Houston, Texas 77002, between October 25, 2017 and November 26, 2017.

## **Related Party Transactions**

The Board of Directors has adopted a written Related Party Transactions Policy for the review and approval or ratification of related party transactions. Our policy generally defines related party transactions as current or proposed transactions in excess of \$120,000 in which (i) the Company is a participant and (ii) any director, executive officer or immediate family member of any director or executive officer has a direct or indirect material interest. In addition, the policy sets forth certain transactions that will not be considered related party transactions, including (i) executive officer compensation and benefit arrangements; (ii) director compensation arrangements; (iii) business travel and expenses, advances and reimbursements in the ordinary course of business; (iv) indemnification payments and advancement of expenses, and payments under directors' and officers' indemnification insurance policies; (v) any transaction between the Company and any entity in which a related party has a relationship solely as a director, a less than 5% equity holder, or an employee (other than an executive officer); and (vi) purchases of Company debt securities, provided that the related party has a passive ownership of no more than 2% of the principal amount of any outstanding series. The Nominating and Governance Committee is responsible for overseeing the policy.

All executive officers and directors are required to notify the Chief Legal Officer or the Corporate Secretary as soon as practicable of any proposed transaction that they or their family members are considering entering into that involves the Company. The Chief Legal Officer will determine whether potential transactions or relationships constitute related party transactions that must be referred to the Nominating and Governance Committee.

The Nominating and Governance Committee will review a detailed description of the transaction, including:

the terms of the transaction;

the business purpose of the transaction;

**Table of Contents**

the benefits to the Company and to the relevant related party; and

whether the transaction would require a waiver of the Company's Code of Conduct.

In determining whether to approve a related party transaction, the Nominating and Governance Committee will consider, among other things, whether:

the terms of the related party transaction are fair to the Company and such terms would be reasonable in an arms-length transaction;

there are business reasons for the Company to enter into the related party transaction;

the related party transaction would impair the independence of any non-employee director;

the related party transaction would present an improper conflict of interest for any director or executive officer of the Company; and

the related party transaction is material to the Company or the individual.

Any member of the Nominating and Governance Committee who has an interest in a transaction presented for consideration will abstain from voting on the related party transaction.

The Nominating and Governance Committee's consideration of related party transactions and its determination of whether to approve such a transaction are reflected in the minutes of the Nominating and Governance Committee's meetings. As discussed above under "Independence of Board Members," the Company reviewed all transactions between the Company and each entity with which a non-employee director is affiliated, as well as all transactions between the Company and each entity with which an executive officer is affiliated, and the Company is not aware of any transactions in 2016 that are required to be disclosed.

***Special Committee***

The Board of Directors appointed a Special Committee