

ONE Gas, Inc.  
Form DEF 14A  
April 03, 2019  
**Table of Contents**

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**(Rule 14A 101)**  
**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

Definitive Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**ONE Gas, Inc.**

Edgar Filing: ONE Gas, Inc. - Form DEF 14A  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

- (1) Title of each class of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (2) Aggregate number of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  
  
  
  
  
  
  
  
- (4) Proposed maximum aggregate value of transaction:
  
  
  
  
  
  
  
  
  
  
- (5) Total fee paid:

Fee paid previously with preliminary materials.

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

- (1) Amount Previously Paid:
  
  
  
  
  
  
  
  
  
  
- (2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

Annual Meeting of Shareholders

Thursday, May 23, 2019

**Table of Contents**

**MISSION**

**We deliver natural gas for a better tomorrow.**

**VISION**

**To be a premier natural gas distribution company creating exceptional value for our stakeholders.**

**STRATEGY**

**Becoming ONE:**

**ONE in Responsibility** safety, reliability and compliance

**ONE in Value** employees, shareholders, customers and communities

**ONE in Industry** recognized leader, processes and productivity

**CORE VALUES**

**Safety:** We are committed to operating safely and in an environmentally responsible manner.

**Ethics:** We are accountable to the highest ethical standards and are committed to compliance. Honesty, trust and integrity matter.

**Inclusion and Diversity:** We embrace an inclusive and diverse culture that encourages collaboration. Every employee makes a difference and contributes to our success.

**Service:** We provide exceptional service and make continuous improvements in our pursuit of excellence.

**Value:** We create value for all stakeholders, including our customers, employees, investors and communities.

**Table of Contents**

**April 3, 2019**

**Dear Shareholder:**

You are cordially invited to attend the Annual Meeting of Shareholders of ONE Gas, Inc., which will be held at 9:00 a.m. Central Daylight Time on Thursday, May 23, 2019, at our company headquarters at ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2<sup>nd</sup> Floor, Tulsa, Oklahoma 74103.

The matters to be considered and voted on at the meeting are set forth in the attached Notice of Annual Meeting of Shareholders and are described in the attached proxy statement. A copy of our 2018 annual report to shareholders is also enclosed. A report on our 2018 performance will be presented at the meeting.

We look forward to greeting as many of our shareholders as possible at the annual meeting. We know, however, that most of our shareholders will be unable to attend. Therefore, proxies are being solicited so that each shareholder has an opportunity to vote by proxy. You can authorize a proxy over the internet or by telephone. Instructions for using these convenient services are included in the proxy statement and on the proxy card. Of course, if you prefer, you may vote by mail by signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope.

**If your shares are held by a broker, bank or other holder of record, unless you provide your broker, bank or other holder of record with your instructions on how to vote your shares, your shares will not be voted in the election of directors or in certain other important proposals as described in the accompanying proxy statement. Consequently, please provide your voting instructions to your broker, bank or other holder of record in a timely manner in order to ensure that your shares will be voted.**

**YOUR VOTE IS IMPORTANT** Regardless of the number of shares you own, your vote is important. I urge you to submit your proxy as soon as possible so that you can be sure your shares will be voted.

Thank you for your investment in ONE Gas and for your continued support.

Sincerely,

**JOHN W. GIBSON**

Chairman of the Board

**Table of Contents**

**ONE GAS, INC. NOTICE OF 2019 ANNUAL MEETING OF SHAREHOLDERS**

**Time and date:** May 23, 2019, at 9:00 a.m. Central Daylight Time

**Place:** ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2<sup>nd</sup> Floor, Tulsa, Oklahoma 74103

- Items of business:**
- (1) To consider and vote on the election of nine director nominees named in the accompanying proxy statement to serve on our Board of Directors;
  - (2) To consider and vote on the ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of ONE Gas, Inc. for the year ending December 31, 2019;
  - (3) To consider and vote on our executive compensation on a non-binding, advisory basis; and
  - (4) To consider and vote on such other business as may come properly before the meeting, or any adjournment or postponement of the meeting.

These matters are described more fully in the accompanying proxy statement.

**Record date:** March 25, 2019. Only shareholders of record at the close of business on the record date are entitled to receive notice of, and to vote at, the annual meeting.

**Proxy voting:** **YOUR VOTE IS IMPORTANT**

The vote of every shareholder is important. The Board appreciates the cooperation of shareholders in directing proxies to vote at the meeting. To make it easier for you to vote, internet and telephone voting are available. The instructions in the accompanying proxy statement and attached to your proxy card describe how to use these convenient voting methods. Of course, if you prefer, you may vote by mail by completing your proxy card and returning it in the enclosed postage-paid envelope. You may revoke your proxy at any time by following the procedures set forth in the accompanying proxy statement.

**Whether or not you expect to attend the meeting in person, we urge you to vote your shares at your earliest convenience. This will ensure the presence of a quorum at the meeting. Voting your shares promptly, via the internet, by telephone, or by signing, dating and returning the enclosed proxy card will save the expense of additional solicitation. Submitting your proxy now will not prevent you from voting your shares at the meeting, if you desire to do so, as your proxy is revocable at your option.**

**Important Notice Regarding Internet Availability of Proxy Materials:** This notice of annual meeting, proxy statement, form of proxy and our 2018 annual report to shareholders are available on our website at [www.ONEGas.com](http://www.ONEGas.com). Additionally, and in accordance with the rules of the SEC, you may access this proxy statement and our 2018 annual report at <http://shareholder.onegas.com>, which does not infringe on the anonymity of a person accessing such website. The website does not employ cookies or other user-tracking features.

The approximate date of the mailing of this proxy statement and accompanying proxy card is April 3, 2019.

By order of the Board,

**Brian K. Shore**

Corporate Secretary

Tulsa, Oklahoma

April 3, 2019



**Table of Contents**

**TABLE OF CONTENTS**

**PROXY STATEMENT**

This proxy statement describes important issues affecting our company and is furnished in connection with the solicitation of proxies by our Board for use at our 2019 Annual Meeting of Shareholders to be held at the time and place set forth in the accompanying notice.

Unless we otherwise indicate or unless the context indicates otherwise, all references in this proxy statement to ONE Gas, we, our, us, the company or similar references mean ONE Gas, Inc. and its subsidiaries, and references to the Board or Board of Directors mean the Board of Directors of ONE Gas, Inc.

|                                                                                                                          |               |
|--------------------------------------------------------------------------------------------------------------------------|---------------|
| <b><u>Summary Proxy Information</u></b>                                                                                  | <b>1</b>      |
| <u>Proxy Statement Summary</u>                                                                                           | 1             |
| <u>Information About the Annual Meeting of Shareholders</u>                                                              | 1             |
| <u>Items of Business</u>                                                                                                 | 1             |
| <u>Record Date</u>                                                                                                       | 1             |
| <u>Internet Access to Proxy Materials</u>                                                                                | 1             |
| <u>How to Vote if You Are a Shareholder of Record</u>                                                                    | 1             |
| <u>How to Vote if Your Shares are Held by a Broker, Bank or Other Holder of Record</u>                                   | 2             |
| <u>Shareholder Actions – Matters to be Voted Upon</u>                                                                    | 2             |
| <u>Proposals, Board Recommendations, How You May Vote, Votes Required and Effect of Abstentions and Broker Non-Votes</u> | 3             |
| <u>Director Nominees</u>                                                                                                 | 4             |
| <u>Business Highlights</u>                                                                                               | 4             |
| <u>Compensation Highlights</u>                                                                                           | 5             |
| <br><b><u>Corporate Responsibility</u></b>                                                                               | <br><b>8</b>  |
| <u>Safety and Health</u>                                                                                                 | 8             |
| <u>Environmental Performance</u>                                                                                         | 8             |
| <u>Community Investment</u>                                                                                              | 8             |
| <u>Political Advocacy and Contributions</u>                                                                              | 9             |
| <br><b><u>Outstanding Stock and Voting</u></b>                                                                           | <br><b>10</b> |
| <u>Voting</u>                                                                                                            | 10            |
| <u>Quorum</u>                                                                                                            | 10            |
| <u>Matters to be Voted Upon</u>                                                                                          | 10            |
| <u>Votes Required</u>                                                                                                    | 11            |
| <u>Revoking a Proxy</u>                                                                                                  | 11            |
| <u>Proxy Solicitation</u>                                                                                                | 11            |
| <br><b><u>Governance of the Company</u></b>                                                                              | <br><b>12</b> |

|                                                                    |    |
|--------------------------------------------------------------------|----|
| <u>Corporate Governance Guidelines</u>                             | 12 |
| <u>Code of Business Conduct and Ethics</u>                         | 12 |
| <u>Director Independence</u>                                       | 12 |
| <u>Board Leadership Structure</u>                                  | 13 |
| <u>Lead Independent Director</u>                                   | 13 |
| <u>Succession Planning</u>                                         | 13 |
| <u>Our Board and Corporate Strategy</u>                            | 13 |
| <u>Shareholder Engagement</u>                                      | 14 |
| <u>Risk Oversight</u>                                              | 14 |
| <u>Board and Committee Membership</u>                              | 14 |
| <u>Director Nominations</u>                                        | 18 |
| <u>Director Compensation</u>                                       | 19 |
| <u>Compensation Committee Interlocks and Insider Participation</u> | 22 |
| <u>Executive Sessions of the Board</u>                             | 22 |
| <u>Communications with Directors</u>                               | 22 |
| <u>Complaint Procedures</u>                                        | 22 |

---

**Table of Contents**

|                                                                                                                                                                        |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <b><u>Proposal 1 Election of Directors</u></b>                                                                                                                         | <b>23</b> |
| <u>Election by Majority Vote</u>                                                                                                                                       | 23        |
| <u>Board Diversity</u>                                                                                                                                                 | 23        |
| <u>Board Qualifications</u>                                                                                                                                            | 23        |
| <u>Director Nominees</u>                                                                                                                                               | 25        |
| <br>                                                                                                                                                                   |           |
| <b><u>Proposal 2 Ratify the Selection of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for the Year ending December 31, 2019</u></b> | <b>34</b> |
| <u>Ratification of Selection of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for 2019</u>                                           | 34        |
| <u>Audit and Non-Audit Fees</u>                                                                                                                                        | 34        |
| <u>Audit Committee Policy on Services Provided by the Independent Registered Public Accounting Firm</u>                                                                | 34        |
| <u>2019 Report of the Audit Committee</u>                                                                                                                              | 35        |
| <br>                                                                                                                                                                   |           |
| <b><u>Stock Ownership</u></b>                                                                                                                                          | <b>37</b> |
| <u>Holdings of Major Shareholders</u>                                                                                                                                  | 37        |
| <u>Holdings of Officers and Directors</u>                                                                                                                              | 38        |
| <u>Section 16(a) Beneficial Ownership Reporting Compliance</u>                                                                                                         | 39        |
| <br>                                                                                                                                                                   |           |
| <b><u>Compensation Discussion and Analysis</u></b>                                                                                                                     | <b>40</b> |
| <u>Executive Summary</u>                                                                                                                                               | 40        |
| <u>How We Determine Pay</u>                                                                                                                                            | 42        |
| <u>Market Benchmarking</u>                                                                                                                                             | 43        |
| <u>Elements of Our Executive Compensation Program for 2018</u>                                                                                                         | 44        |
| <u>2018 Performance and Compensation Decisions</u>                                                                                                                     | 44        |
| <u>Share Ownership Guidelines</u>                                                                                                                                      | 49        |
| <u>Risk Considerations</u>                                                                                                                                             | 50        |
| <u>Clawback Provisions</u>                                                                                                                                             | 50        |
| <u>Termination and Change in Control Benefits</u>                                                                                                                      | 50        |
| <u>Anti-Hedging and Anti-Pledging Policies</u>                                                                                                                         | 51        |
| <u>Employment Agreements</u>                                                                                                                                           | 51        |
| <u>Internal Revenue Code Limitations on Deductibility of Executive Compensation</u>                                                                                    | 51        |
| <br>                                                                                                                                                                   |           |
| <b><u>Executive Compensation Committee Report</u></b>                                                                                                                  | <b>52</b> |
| <br>                                                                                                                                                                   |           |
| <b><u>Named Executive Officer Compensation</u></b>                                                                                                                     | <b>53</b> |
| <u>Summary Compensation Table for 2018</u>                                                                                                                             | 53        |
| <u>Grants of Plan-Based Awards for 2018</u>                                                                                                                            | 55        |
| <u>Outstanding Equity Awards at Fiscal Year End for 2018</u>                                                                                                           | 56        |
| <u>Option Exercises and Stock Vested for 2018</u>                                                                                                                      | 57        |
| <u>Pension Benefits for 2018</u>                                                                                                                                       | 58        |
| <u>Nonqualified Deferred Compensation for 2018</u>                                                                                                                     | 59        |
| <u>Potential Post-Employment Payments and Payments Upon a Change in Control</u>                                                                                        | 61        |

|                                                                  |               |
|------------------------------------------------------------------|---------------|
| <u>CEO Pay Ratio for 2018</u>                                    | 65            |
| <b><u>Proposal 3 Advisory Vote on Executive Compensation</u></b> | <b>66</b>     |
| <u>Introduction</u>                                              | 66            |
| <u>Our Executive Compensation Program</u>                        | 66            |
| <u>Vote Required and Board Recommendation</u>                    | 67            |
| <br><b><u>Related-Person Transactions</u></b>                    | <br><b>68</b> |
| <br><b><u>About the 2019 Annual Meeting</u></b>                  | <br><b>69</b> |
| <br><b><u>Shareholder Proposals</u></b>                          | <br><b>73</b> |
| <br><b><u>Householding</u></b>                                   | <br><b>73</b> |
| <br><b><u>Annual Report on Form 10-K</u></b>                     | <br><b>74</b> |
| <br><b><u>Other Matters</u></b>                                  | <br><b>74</b> |

**Table of Contents**

**GLOSSARY OF TERMS**

The abbreviations, acronyms and terms used in this Proxy Statement are defined as follows:

|                    |                                                                                                                                                                                                                                                                                                                                                   |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 401(k) Plan        | ONE Gas, Inc. 401(k) Plan                                                                                                                                                                                                                                                                                                                         |
| Board              | ONE Gas, Inc. Board of Directors                                                                                                                                                                                                                                                                                                                  |
| CEO                | Chief Executive Officer                                                                                                                                                                                                                                                                                                                           |
| CFO                | Chief Financial Officer                                                                                                                                                                                                                                                                                                                           |
| CIC                | Change in control                                                                                                                                                                                                                                                                                                                                 |
| Company or ONE Gas | ONE Gas, Inc.                                                                                                                                                                                                                                                                                                                                     |
| DART               | Days Away, Restricted or Transferred Incident Rate calculated by multiplying the total number of recordable injuries and illnesses, or one or more restricted days that resulted in an employee transferring to a different job within the company by 200,000, and then dividing that number by the total number of hours worked by all employees |
| ECP                | The ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018), as approved by our shareholders on May 24, 2018                                                                                                                                                                                                                           |
| EPA                | Environmental Protection Agency                                                                                                                                                                                                                                                                                                                   |
| EPS                | Diluted earnings per share                                                                                                                                                                                                                                                                                                                        |
| Exchange Act       | Securities Exchange Act of 1934, as amended                                                                                                                                                                                                                                                                                                       |
| LTI                | Long-term equity incentive                                                                                                                                                                                                                                                                                                                        |

|                        |                                                                                                                                                                                                |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Meridian               | Meridian Compensation Partners, LLC, the independent consultant to the Executive Compensation Committee                                                                                        |
| NEO                    | Named executive officer                                                                                                                                                                        |
| NQDC Plan              | ONE Gas, Inc. Nonqualified Deferred Compensation Plan                                                                                                                                          |
| NYSE                   | New York Stock Exchange                                                                                                                                                                        |
| ONE Gas PAC            | ONE Gas, Inc. Political Action Committee                                                                                                                                                       |
| ONEOK                  | ONEOK, Inc. and its subsidiaries                                                                                                                                                               |
| ONEOK Plan             | ONEOK, Inc. 401(k) Plan                                                                                                                                                                        |
| OSHA                   | Occupational Safety and Health Administration                                                                                                                                                  |
| Profit Sharing Plan    | ONE Gas, Inc. Profit Sharing Plan                                                                                                                                                              |
| PSU                    | Performance stock unit                                                                                                                                                                         |
| PVIR                   | Preventable Vehicle Incident Rate calculated by multiplying the number of total vehicle incidents by 1,000,000, and then dividing that number by the total number of business use miles driven |
| Qualified Pension Plan | ONE Gas, Inc. Retirement Plan                                                                                                                                                                  |
| RSU                    | Restricted stock unit                                                                                                                                                                          |
| SEC                    | United States Securities and Exchange Commission                                                                                                                                               |
| SERP                   | Supplemental Executive Retirement Plan                                                                                                                                                         |

|      |                                                                                                                                                                                  |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SIF  | Significant Incidents or Fatalities                                                                                                                                              |
| STI  | Annual short-term cash incentive                                                                                                                                                 |
| TRIR | Total Recordable Incident Rate calculated by multiplying the number of recordable cases by 200,000, and then dividing that number by the number of hours worked by all employees |
| TSR  | Total shareholder return                                                                                                                                                         |

---

**Table of Contents**

## **SUMMARY PROXY INFORMATION**

To assist you in reviewing the company's 2018 performance and voting your shares, we would like to call your attention to key elements of our 2019 proxy statement and our 2018 annual report to shareholders. The following is only a summary. For more complete information about these topics, please review the complete proxy statement and our 2018 annual report to shareholders.

### **PROXY STATEMENT SUMMARY**

The following summary provides highlights contained in this proxy statement. You should carefully read and consider the information contained in the proxy statement as this summary does not contain all the information you should consider before voting.

### **INFORMATION ABOUT THE ANNUAL MEETING OF SHAREHOLDERS**

**Date:** Thursday, May 23, 2019

**Time:** 9:00 a.m., Central Daylight Time

**Place:** ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2<sup>nd</sup> Floor, Tulsa, Oklahoma 74103

### **ITEMS OF BUSINESS**

Election of nine director nominees to serve a one-year term

Ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2019

Approval, on a non-binding, advisory basis, of our executive compensation

Other business as may come properly before the meeting, or any adjournment or postponement of the meeting

### **RECORD DATE**

March 25, 2019

### **INTERNET ACCESS TO PROXY MATERIALS**



Please visit <http://shareholder.onegas.com> for online access to our proxy materials including this proxy statement and the company's 2018 annual report.

## HOW TO VOTE IF YOU ARE A SHAREHOLDER OF RECORD

### Via the internet

Go to the website at [www.proxypush.com/ogs](http://www.proxypush.com/ogs) which is available 24 hours a day, 7 days a week, until 11:59 p.m. (Central Daylight Time) on May 22, 2019.

Enter the control number that appears on your proxy card. This process is designed to verify that you are a shareholder, and allows you to vote your shares and confirm that your instructions have been properly recorded.

Follow the simple instructions.

**If you appoint a proxy via the internet, you do not have to return your proxy card.**

### By mail

Mark your selections on the proxy card.

Date and sign your name exactly as it appears on your proxy card.

Mail the proxy card in the enclosed postage-paid envelope.

If mailed, your completed and signed proxy card must be received prior to the commencement of voting at the annual meeting.

### By telephone

On a touch-tone telephone, call toll-free **1.866.883.3382**, 24 hours a day, 7 days a week, until 11:59 p.m. (Central Daylight Time) on May 22, 2019.

Enter the control number that appears on your proxy card. This process is designed to verify that you are a shareholder, and allows you to vote your shares and confirm that your instructions have been properly recorded.

Follow the simple recorded instructions.

**If you appoint a proxy by telephone, you do not have to return your proxy card.**



**Table of Contents**

**HOW TO VOTE IF YOUR SHARES ARE HELD BY A BROKER, BANK OR OTHER HOLDER OF RECORD**

This proxy statement and our 2018 annual report to shareholders should have been forwarded to you by your bank, broker or other holder of record, together with a voting instruction card. You have the right to direct your bank, broker or other holder of record how to vote your shares by using the voting instruction card you received from your bank, broker or other holder of record, or by following any instructions provided by your bank, broker or other holder of record for voting via the internet or telephone.

**SHAREHOLDER ACTIONS MATTERS TO BE VOTED UPON**

**Election of Directors (Proposal 1).** You will find in this proxy statement important information about the qualifications and experience of each of the nine director nominees, each of whom is a current director. The Corporate Governance Committee performs an annual assessment of the performance of the Board to ensure that our directors have the skills and experience to effectively oversee our company. All of our directors have proven leadership, sound judgment, integrity and a commitment to the success of our company, and our Board recommends that shareholders **vote in favor** of each nominee for election.

**Ratification of our Independent Registered Public Accounting Firm (Proposal 2).** You will also find in this proxy statement important information about our independent registered public accounting firm, PricewaterhouseCoopers LLP. We believe PricewaterhouseCoopers LLP continues to provide high-quality service to our company, and our Board recommends that shareholders **vote in favor** of ratification.

**Advisory Vote on Executive Compensation (Proposal 3).** Our shareholders have the opportunity to cast a non-binding, advisory vote on our executive compensation program. In evaluating this say on pay proposal, we recommend that you review our Compensation Discussion and Analysis in this proxy statement, which explains how and why the Executive Compensation Committee arrived at decisions with respect to our 2018 executive compensation. Our Board recommends that shareholders **vote in favor** of our executive compensation program.

**Table of Contents****PROPOSALS, BOARD RECOMMENDATIONS, HOW YOU MAY VOTE, VOTES REQUIRED AND EFFECT OF ABSTENTIONS AND BROKER NON-VOTES**

Each of the proposals, how the Board recommends that you vote, how you may vote, and votes required for each proposal, together with how abstentions and broker non-votes will be treated for each proposal, are set forth in the following table:

| Proposal                                   | How does the Board recommend that I vote?                                                                                                                   | How may I vote?                                                                                                                                                                                                                                         | Votes required<br>for approval                                                                                            |                                                           |                                                                                                                                                                          |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                            |                                                                                                                                                             |                                                                                                                                                                                                                                                         | when quorum is present                                                                                                    | Abstentions                                               | Broker non-votes                                                                                                                                                         |
| 1. Election of Directors                   | The Board recommends that you vote <b>FOR</b> each of the nine director nominees.                                                                           | You may vote <b>FOR</b> or <b>AGAINST</b> the approval of each of the nine director nominees, or you may indicate that you wish to <b>ABSTAIN</b> from voting on the matter.                                                                            | Majority of the votes cast by shareholders present in person or by proxy and entitled to vote                             | Do not count as votes cast and have no effect on the vote | Do not count as votes cast and have no effect on the vote                                                                                                                |
| 2. Ratification of our Independent Auditor | The Board recommends that you vote <b>FOR</b> the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2019. | You may vote <b>FOR</b> or <b>AGAINST</b> the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2019, or you may indicate that you wish to <b>ABSTAIN</b> from voting on the matter. | Affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote | Have the same effect as votes against this proposal       | Voted at broker's discretion shares not voted in the discretion of a brokerage firm, bank, trustee or other similar fiduciary have the same effect as votes against this |

proposal

|                                                     |                                                                                                                                        |                                                                                                                                                                                         |                                                                                                                                                      |                                                              |                                                                          |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------------------|
| 3. Advisory<br>vote on<br>Executive<br>Compensation | The Board recommends<br>that you vote <b>FOR</b> the<br>approval, on an advisory<br>basis, of the company's<br>executive compensation. | You may vote <b>FOR</b> or<br><b>AGAINST</b> the advisory<br>vote on executive<br>compensation, or you<br>may indicate that you<br>wish to <b>ABSTAIN</b> from<br>voting on the matter. | Affirmative<br>vote of a<br>majority of the<br>voting power of<br>the<br>shareholders<br>present in<br>person or by<br>proxy and<br>entitled to vote | Have the same<br>effect as votes<br>against this<br>proposal | Do not<br>count as<br>votes cast<br>and have no<br>effect on<br>the vote |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------------------|

**Table of Contents****DIRECTOR NOMINEES**

The following table summarizes information about the nine director nominees. As noted, seven of our nine directors have been determined to be independent in accordance with the NYSE independence standards and our director independence guidelines.

**Director Nominees**

| Name                  | Age | Director since | Occupation                                                                | Independent | Committee memberships/positions |
|-----------------------|-----|----------------|---------------------------------------------------------------------------|-------------|---------------------------------|
| Arcilia C. Acosta     | 53  | 2018           | President and Chief Executive Officer, CARCON Industries and Construction | Yes         | B, C, D                         |
| Robert B. Evans       | 70  | 2014           | Retired, President and Chief Executive Officer of Duke Energy Americas    | Yes         | B**, C, D                       |
| John W. Gibson        | 66  | 2014           | Retired, Chief Executive Officer of ONEOK                                 | No          | A*                              |
| Tracy E. Hart         | 57  | 2018           | President, Tarlton Corporation                                            | Yes         | B, C, D                         |
| Michael G. Hutchinson | 63  | 2014           | Retired, partner at Deloitte & Touche                                     | Yes         | A, B*, C, D**                   |

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

|                |    |      |                                     |     |             |
|----------------|----|------|-------------------------------------|-----|-------------|
| Patty L. Moore | 61 | 2014 | Chairman, Red Robin Gourmet Burgers | Yes | A, B, C*, D |
|----------------|----|------|-------------------------------------|-----|-------------|

|                     |    |      |                                                        |    |   |
|---------------------|----|------|--------------------------------------------------------|----|---|
| Pierce H. Norton II | 59 | 2014 | President and Chief Executive Officer of ONE Gas, Inc. | No | A |
|---------------------|----|------|--------------------------------------------------------|----|---|

|                      |    |      |                                                       |     |             |
|----------------------|----|------|-------------------------------------------------------|-----|-------------|
| Eduardo A. Rodriguez | 63 | 2014 | President of Strategic Communication Consulting Group | Yes | A, B, C, D* |
|----------------------|----|------|-------------------------------------------------------|-----|-------------|

|                   |    |      |                                                                                                               |     |           |
|-------------------|----|------|---------------------------------------------------------------------------------------------------------------|-----|-----------|
| Douglas H. Yaeger | 70 | 2014 | Retired, Chairman, President and Chief Executive Officer of The Laclede Group, Inc. (now known as Spire Inc.) | Yes | B, C**, D |
|-------------------|----|------|---------------------------------------------------------------------------------------------------------------|-----|-----------|

### *Committee memberships/positions key:*

A Executive Committee

B Audit Committee

C Executive Compensation Committee

D Corporate Governance Committee

\* Committee chair

\*\* Committee vice chair

## **BUSINESS HIGHLIGHTS**

**Financial Performance.** 2018 operating income decreased to \$288.4 million, compared with \$316.7 million in 2017, which reflects primarily new rates in Texas and Kansas and residential customer growth in Oklahoma and Kansas, higher sales and transportation volumes due to colder than normal weather, offset by an increase in operating expenses and the effects of tax reform.

\* We were a business unit of ONEOK prior to January 31, 2014.

**Dividend.** During 2018, we paid cash dividends of \$1.84 per share. We paid total aggregate dividends to our shareholders of \$97 million in 2018. In January 2019, we declared a dividend of 50 cents per share (\$2.00 per share on an annualized basis), an increase of 4 cents per share compared with the previous cash dividend of 46 cents per share.

**4**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement



## **Table of Contents**

**Total Shareholder Return.** The market price of our common stock was \$79.60 per share at December 31, 2018, reflecting a TSR (stock price appreciation and dividends) of 11.40 percent and an increase of 8.7 percent from the closing price of \$73.26 on December 29, 2017.

1 February 3, 2014 was the first day of regular way trading for ONE Gas, Inc. on the NYSE.

2 The ONE Gas peer group used in this graph is the same peer group that will be used in determining our level of performance under our 2018 performance units at the end of the three-year performance period and is comprised of the following companies: Alliant Energy Corporation; Atmos Energy Corporation; Avista Corporation; CenterPoint Energy Inc.; Chesapeake Utilities Corporation; CMS Energy Corporation; New Jersey Resources Corporation; NiSource Inc.; Northwest Natural Gas Company; NorthWestern Corporation; South Jersey Industries; Southwest Gas Corporation; and Spire Inc.

## **COMPENSATION HIGHLIGHTS**

**Compensation Philosophy.** A principal feature of our compensation program is the determination of executive compensation by our Executive Compensation Committee (referred to as the Executive Compensation Committee or the Committee ) based on a comprehensive review of quantitative and qualitative factors designed to reward the accomplishment of long-term sustainable business goals. Our executive compensation program is designed to attract, engage, motivate, reward and retain highly effective key executives who drive our success and who are leaders in the industry, to pay for performance and to align the long-term interests of our executive officers with those of our stakeholders. We believe our program is designed effectively to meet or exceed our financial and operational performance goals, is well aligned with the interests of our stakeholders and is instrumental to achieving our business goals. Our compensation philosophy and related governance features are complemented by several specific elements that are designed to achieve these objectives, as summarized below.

### **Program Design.**

Our compensation program:

provides a competitive total compensation opportunity;

establishes a pay mix that balances short- and long-term performance specifically consisting of significant equity-based (at-risk) compensation;

utilizes separate metrics under our STI and LTI award programs to incentivize performance;

links a significant portion of total compensation to performance which we believe creates long-term stakeholder value;

|                                                                                        |          |
|----------------------------------------------------------------------------------------|----------|
| <b>ONE Gas, Inc.</b> Notice of 2019 Annual Meeting of Shareholders and Proxy Statement | <b>5</b> |
|----------------------------------------------------------------------------------------|----------|

**Table of Contents**

determines awards based on the executive officer's contributions performed the right way to achieve business performance;

enhances retention by subjecting a significant portion of total compensation to multi-year vesting requirements;

discourages unnecessary or excessive risk taking;

rewards for accomplishing goals as well as for how those goals are accomplished; and

restricts CIC cash benefits to double-trigger vesting.

We provide the following primary elements of compensation for our NEOs (as listed in the Compensation Discussion and Analysis at page 40): base salary, annual STI awards and LTI awards.

The Executive Compensation Committee references the median level of the market when determining all elements of compensation and targets the median level of total compensation.

Our performance-based STI program provides for cash awards based on achievement of financial and operational goals established annually by our Executive Compensation Committee.

We encourage alignment of our NEOs' interests with those of our stakeholders through the grant of LTI awards, of which approximately 80 percent are PSUs and approximately 20 percent are RSUs.

Our NEOs receive no significant perquisites or other personal benefits.

We do not provide any golden parachute excise tax gross-ups to our NEOs.

The Executive Compensation Committee makes all compensation decisions regarding our NEOs and submits those decisions to the independent directors of the Board for ratification.

The Executive Compensation Committee is composed solely of persons who qualify as independent directors under the listing standards of the NYSE.

We have market-competitive stock ownership guidelines for our NEOs and our non-management directors which provides them with a significant stake in our long-term success and aligns their interest with stakeholder interests.

We have adopted compensation recovery ( clawback ) provisions that permit the Committee to use appropriate discretion to seek recoupment of grants of PSUs (including any shares earned and the proceeds from any sale of such shares) and STI awards paid to an employee in the event that fraud, negligence or individual misconduct by such employee is determined to be a contributing factor to having to restate all or a portion of our financial statements.

Officers, members of our Board and certain employees designated as insiders under our Securities/Insider Trading Policy are prohibited from engaging in short sale and other derivative or speculative transactions in our securities, and/or from purchasing or using, directly or indirectly through family members or other persons or entities, financial instruments (including puts or calls, prepaid variable forward contracts, equity swaps, collars and exchange funds) that are designed to hedge or offset any decrease in the market value of our securities.

Officers and directors are prohibited from holding our securities in a margin account or pledging our securities as collateral for a loan. The CEO may grant an exception against pledging securities on a limited case-by-case basis. There is no exception to the prohibition against pledging with respect to the CEO.

The Executive Compensation Committee engages an executive compensation consultant who is independent under the SEC rules and NYSE listing standards to provide advice and expertise on our executive and director compensation program design and implementation and to lead discussions on trends within our industry.

Our say-on-pay vote in 2018 was 96.7 percent in agreement with our compensation paid to our NEOs. In reviewing our compensation program during 2018, our Executive Compensation Committee determined to continue to apply the same principles as have been historically applied in determining the nature and amount of our executive compensation.

## **6 ONE Gas, Inc. Notice of 2019 Annual Meeting of Shareholders and Proxy Statement**

**Table of Contents**

**Link between Executive Compensation and Performance.** The Board awarded Pierce H. Norton II, our President and CEO, incentive compensation for 2018 that was commensurate with our business results and his position as our President and CEO, including annual base pay of \$775,000, an annual STI award of \$939,300, and a LTI award with a grant target value of \$1,750,000. Consistent with our executive compensation philosophy, a significant majority of Mr. Norton's total direct compensation of \$3,464,300 for 2018 was incentive-based and at-risk, as illustrated by the following chart:

The compensation of our other NEOs further reflects both our 2018 performance and our pay-for-performance compensation philosophy:

| Named Executive Officer | 2018 Base Salary | 2018 STI Award | 2018 LTI Award * | 2018 Total Direct Compensation |
|-------------------------|------------------|----------------|------------------|--------------------------------|
| Pierce H. Norton        | \$775,000        | \$939,300      | \$1,750,000      | \$3,464,300                    |
| Curtis L. Dinan         | \$435,000        | \$363,255      | \$425,040        | \$1,223,295                    |
| Caron A. Lawhorn        | \$365,000        | \$301,924      | \$400,022        | \$1,066,946                    |
| Robert S. McAnnally     | \$365,000        | \$301,924      | \$400,022        | \$1,066,946                    |
| Joseph L. McCormick     | \$340,000        | \$242,509      | \$375,003        | \$957,512                      |

\* Represents the grant date value approved by the Committee. The values displayed in the Summary Compensation Table represent the accounting value of the PSUs.

| Name                | 2018<br>Target STI Award<br>as Percentage<br>of<br>Base Pay | 2018<br>Maximum STI Award<br>as a Percentage<br>of<br>Base Pay |
|---------------------|-------------------------------------------------------------|----------------------------------------------------------------|
| Pierce H. Norton II | 100%                                                        | 188%                                                           |
| Curtis L. Dinan     | 65%                                                         | 122%                                                           |
| Caron A. Lawhorn    | 65%                                                         | 122%                                                           |
| Robert S. McAnnally | 65%                                                         | 122%                                                           |
| Joseph L. McCormick | 55%                                                         | 103%                                                           |

---

**Table of Contents**

**CORPORATE RESPONSIBILITY**

For more than 100 years, our business has delivered natural gas to our customers. We will continue to focus on operating safely and responsibly, while creating shareholder value. For more information see our Corporate Responsibility report published on our website at [www.ONEGas.com](http://www.ONEGas.com).

**SAFETY AND HEALTH**

The safety of our employees, our customers and the communities where we operate is at the forefront of each business decision we make. By monitoring the integrity of our assets and promoting the safety and health of our employees, customers and communities, we are investing in the long-term sustainability of our businesses.

A substantial part of our workforce is comprised of operations specialists who work regularly in the field. We continuously assess the risks our employees face in their jobs, and we work to mitigate those risks through training, appropriate engineering controls, work procedures and other preventive safety and health programs. Reducing incidents and improving our safety incident rates is important, but we are not focused only on statistics. Low incident rates alone cannot prevent a large-scale incident, which is why we continue to focus on enhancing our preventive safety programs, such as near-miss reporting, vehicle-safety monitoring, risk assessment and others.

**2018 Safety and Health Performance Updates and Highlights**

Since 2013 we have experienced a 57% reduction in our TRIR.

Since 2013 strains and sprains, our most prevalent type of injury, has declined by 85%.

Since 2013 we have experienced a 75% reduction in our DART.

Since 2013 we have experienced a 23% reduction in our PVIR.

**ENVIRONMENTAL PERFORMANCE**

**2018 Environmental Updates and Highlights**

We retired or replaced approximately 430 miles of distribution and transmission facilities in 2018, including 21 miles of cast iron pipe, which will result in decreased emissions of methane. We have a total of four miles of cast iron pipe remaining to be replaced, which we have committed to replace by the end of 2019.

In 2018, our Energy Efficiency Program in Oklahoma and the Austin and Rio Grande Valley Conservation Programs in Texas combined to issue more than 122,750 rebates totaling approximately \$17 million through energy-efficiency and conservation programs that offered customers rebates on natural gas appliances and

energy-efficient home improvements.

We continue to be a partner in the EPA's Natural Gas STAR Program and the EPA's Methane Challenge program to voluntarily reduce greenhouse gas emissions. We anticipate reporting in 2019 our 2018 performance to the EPA. We exceeded our goal by achieving an overall replacement rate between 6 and 7 percent in both 2017 and 2016.

## **COMMUNITY INVESTMENT**

We are committed to being active members of the communities where we operate. Investing in the areas where we have operations and where our employees live and work is not only the right thing to do—it's smart business. By contributing financially and through volunteer work, we can help build stronger communities and create a better environment for our employees, our customers and the general public.

We accomplish this in a number of ways, including grants from the ONE Gas Foundation, corporate sponsorships to nonprofit organizations and community volunteer efforts. Primary focus areas for our community investments are education, health and human services, arts and culture, environmental stewardship and community enrichment. We give priority consideration to educational programs and to health and human services organizations, particularly those with programs that help people become self-sufficient.

### **2018 Community Investment Updates and Highlights**

In 2018, we contributed approximately \$2.1 million to nonprofit organizations through the ONE Gas Foundation and corporate sponsorships, and our employees volunteered more than 9,500 hours in our communities.

## **8 ONE Gas, Inc. Notice of 2019 Annual Meeting of Shareholders and Proxy Statement**



**Table of Contents**

**POLITICAL ADVOCACY AND CONTRIBUTIONS**

We actively participate in the political process through the lobbying efforts of our government relations department, involvement in multiple business and industry trade organizations, and through the ONE Gas PAC. In 2018, ONE Gas employees and members of the ONE Gas Board contributed approximately \$95,719 to the ONE Gas PAC. During 2018, the ONE Gas PAC contributed approximately \$121,250 to candidates for political office and other political action committees.

As a company, we do not contribute corporate funds to political candidates, political action committees or so-called 501(c)(4) social welfare organizations. Employee and director contributions to the ONE Gas PAC are used to support candidates seeking federal or state offices who support the interests of the energy industry and business. A steering committee made up of senior management representatives and a contributions committee made up of employees from across our operating areas oversee all ONE Gas PAC contributions to political candidates.

**ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement **9**

---

Table of Contents

**OUTSTANDING STOCK AND VOTING**

**VOTING**

Only shareholders of record at the close of business on March 25, 2019, are entitled to receive notice of and to vote at the annual meeting. As of that date, 52,686,558 shares of our common stock were outstanding. Each outstanding share entitles the holder to one vote on each matter submitted to a vote of shareholders at the meeting. No other class of our stock is entitled to vote on matters to come before the meeting.

Shareholders of record may vote in person or by proxy at the annual meeting. All properly submitted proxies received prior to the commencement of voting at the annual meeting will be voted in accordance with the voting instructions contained on the proxy. Shares for which signed proxies are properly submitted without voting instructions will be voted:

- (1) **FOR** the election of the nine director nominees named in this proxy statement to serve on our Board for a one-year term;
- (2) **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2019; and
- (3) **FOR** the advisory proposal to approve our executive compensation.

While we know of no other matters that are likely to be brought before the meeting, in the event any other business properly comes before the meeting, proxies will be voted in the discretion of the persons named in the proxy. The persons named as proxies were designated by our Board.

To vote shares held in street name through a bank, broker or other holder of record, a shareholder must provide voting instructions to his or her bank, broker or other holder of record. Brokerage firms, banks and other holders of record are required to request voting instructions for shares they hold on behalf of their customers and others. We encourage you to provide instructions to your bank, broker or other holder of record on how to vote your shares. If your shares are held in street name, to be able to vote those shares in person at the annual meeting, you must obtain a legal proxy, executed in your favor, from the holder of record of those shares as of the close of business on March 25, 2019.

The rules of the NYSE determine whether proposals presented at shareholder meetings are routine or non-routine. If a proposal is routine, a broker or other entity holding shares for an owner in street name may vote for the proposal without receiving voting instructions from the owner under certain circumstances. If a proposal is non-routine, the broker or other entity may vote on the proposal only if the owner has provided voting instructions. A broker non-vote occurs when the broker or other entity is unable to vote on a proposal because the proposal is non-routine and the owner does not provide any voting instructions. Under the rules of the NYSE, Proposals 1 and 3 are considered to be non-routine, and Proposal 2 is considered to be routine. Accordingly, if you do not provide voting instructions to your brokerage firm or other entity holding your shares, your brokerage firm or other entity holding your shares will not be permitted under the rules of the NYSE to vote your shares on Proposals 1 and 3 and will be permitted under the rules of the NYSE to vote your shares on Proposal 2 at its discretion.

**Please provide your voting instructions to your broker, bank or other holder of record so that your shares may be voted.**

Representatives of our stock transfer agent, EQ Shareholder Services, a division of Equiniti Trust Company, will be responsible for tabulating and certifying the votes cast at the annual meeting.

## **QUORUM**

The holders of a majority of the shares entitled to vote at the annual meeting, present in person or by proxy, constitute a quorum for the transaction of business at the annual meeting. In determining whether we have a quorum, we count abstentions and broker non-votes as present.

If a quorum is not present at the scheduled time of the meeting, the shareholders who are present in person or by proxy may adjourn the meeting until a quorum is present. If the time and place of the adjourned meeting are announced at the time the adjournment is taken, no other notice will be given. However, if the adjournment is for more than 30 days, or if a new record date is set for the adjourned meeting, a notice will be given to each shareholder entitled to receive notice of, and to vote at, the meeting.

## **MATTERS TO BE VOTED UPON**

At the annual meeting, the following matters will be voted upon:

- (1) the election of nine director nominees named in this proxy statement to serve a one-year term;
- (2) the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2019;
- (3) to consider and vote on our executive compensation on a non-binding, advisory basis; and
- (4) such other business as may properly come before the meeting, or any adjournment or postponement of the meeting.

## **10 ONE Gas, Inc. Notice of 2019 Annual Meeting of Shareholders and Proxy Statement**

## Table of Contents

### VOTES REQUIRED

**Proposal 1 Election of Directors.** Our bylaws provide for majority voting for directors in uncontested elections. We expect that the election of directors at our 2019 annual meeting will be uncontested. Under the majority voting standard, to be elected a nominee must receive a number of For votes that exceeds 50 percent of the votes cast with respect to that director's election. Abstentions and broker non-votes, if any, do not count as votes cast with respect to the election of directors.

Our corporate governance guidelines require that if an uncontested nominee for director does not receive more For than Against votes, he or she must promptly tender his or her resignation to our Board. The Board (excluding the director who tendered the resignation) will then evaluate the resignation in light of the best interests of our company and our shareholders in determining whether to accept or reject the resignation, or whether other action should be taken. The Board will announce publicly its decision regarding any tendered resignation.

**Proposal 2 Ratification of Selection of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for the Year ending December 31, 2019.** In accordance with our bylaws, approval of this proposal requires the affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on this proposal at the meeting. Abstentions will have the same effect as votes against this proposal.

**Proposal 3 Advisory Vote on Executive Compensation.** In accordance with our bylaws, approval of the proposal to approve our executive compensation requires the affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on this proposal at the meeting. Abstentions will have the same effect as votes against this proposal and broker non-votes do not count as entitled to vote for purposes of determining the outcome of the vote on this proposal. The vote on this proposal is advisory and non-binding on the company and our Board.

### REVOKING A PROXY

Any shareholder may revoke his or her proxy at any time before it is voted at the meeting by (1) notifying our corporate secretary in writing (the mailing address of our corporate secretary is Corporate Secretary, ONE Gas, Inc., 15 East Fifth Street, Tulsa, Oklahoma 74103), (2) authorizing a later proxy via the internet or by telephone, (3) returning a later dated proxy card, or (4) voting at the meeting in person. A shareholder's presence without voting at the annual meeting will not automatically revoke a previously delivered proxy and any revocation during the meeting will not affect votes previously taken.

If your shares are held in a brokerage account or by a bank or other holder of record, you may revoke any voting instructions you may have previously provided in accordance with the revocation instructions provided by the broker, bank or other holder of record.

### PROXY SOLICITATION

Solicitation of proxies will be primarily by mail and telephone. We have engaged Morrow Sodali LLC, 470 West Avenue, Stamford, Connecticut 06902, to solicit proxies for a fee of \$10,000 plus out-of-pocket expenses. In addition, certain of our officers, directors and employees may solicit proxies on our behalf in person or by mail, telephone, fax or email, for which such persons will receive no additional compensation. We will pay all costs of soliciting proxies. We will also reimburse brokerage firms, banks and other custodians, nominees and fiduciaries for their reasonable expenses for forwarding proxy materials to our shareholders.

|                                                                                        |           |
|----------------------------------------------------------------------------------------|-----------|
| <b>ONE Gas, Inc.</b> Notice of 2019 Annual Meeting of Shareholders and Proxy Statement | <b>11</b> |
|----------------------------------------------------------------------------------------|-----------|

---

**Table of Contents**

**GOVERNANCE OF THE COMPANY**

Our Board and management are committed to maintaining strong corporate governance practices that allocate rights and responsibilities among our Board, management and our shareholders in a manner that benefits the long-term interests of our shareholders. Our corporate governance practices are designed not just to satisfy regulatory and stock exchange requirements but also to provide for effective oversight and management of our company.

Our Corporate Governance Committee engages in a regular process of reviewing our corporate governance practices, including comparing our practices with those recommended by various corporate governance authorities, the expectations of our shareholders and the practices of other leading public companies. Our Corporate Governance Committee also regularly reviews our corporate governance practices in light of proposed and adopted laws and regulations, including the rules of the SEC and the rules and listing standards of the NYSE.

**CORPORATE GOVERNANCE GUIDELINES**

Our Board has adopted corporate governance guidelines that address key areas of our corporate governance, including: director qualification standards, including the requirement that a majority of our directors be independent under the applicable independence requirements of the NYSE; director responsibilities; director access to management; director compensation; management succession; evaluation of the performance of our Board; and the structure and operation of our Board. Our Board periodically reviews our corporate governance guidelines and may revise the guidelines from time to time as conditions warrant. The full text of our corporate governance guidelines is published on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from our corporate secretary upon request.

**CODE OF BUSINESS CONDUCT AND ETHICS**

Our Board has adopted a code of business conduct and ethics that applies to our directors, officers (including our principal executive and financial officers, controller and other persons performing similar functions) and all other employees. We require all directors, officers and employees to adhere to our code of business conduct and ethics in addressing the legal and ethical issues encountered in conducting their work for our company. Our code of business conduct and ethics requires that our directors, officers and employees avoid conflicts of interest, comply with all applicable laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in our company's best interests. All directors, officers and employees are required to report any conduct that they believe to be an actual or apparent violation of our code of business conduct and ethics.

The full text of our code of business conduct and ethics is published on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from our corporate secretary upon request. We intend to disclose on our website any future amendments to, or waivers of, our code of business conduct and ethics, as required by the rules of the SEC and the NYSE.

**DIRECTOR INDEPENDENCE**

Our corporate governance guidelines provide that a majority of our Board of Directors will be independent under the applicable independence requirements of the NYSE. These guidelines and the rules of the NYSE provide that, in qualifying a director as independent, the Board must make an affirmative determination that the director has no material relationship with our company, either directly or as a partner, shareholder or officer of an organization that has a relationship with our company. In making this determination with respect to each director serving on the

Executive Compensation Committee, under the rules of the NYSE, the Board is required to consider all factors specifically relevant to determine whether the director has a relationship to our company which is material to that director's ability to be independent from management in connection with the duties of a member of that committee.

Our Board of Directors has also adopted director independence guidelines that specify the types of relationships the Board has determined to be categorically immaterial. Directors who meet these standards are considered to be independent. The full text of our director independence guidelines is published on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from our corporate secretary upon request.

Our Board has determined affirmatively that members Arcilia C. Acosta, Robert E. Evans, Tracy E. Hart, Michael G. Hutchinson, Pattye L. Moore, Eduardo A. Rodriguez and Douglas H. Yaeger have no material relationship with our company, and each qualifies as independent under our corporate governance guidelines, our director independence guidelines and the rules of the NYSE. In determining whether certain of our directors qualify as independent under our director independence guidelines, our Board considered the receipt by certain directors or their immediate family members (or entities of which they are members, directors, partners, executive officers, or counsel) of natural gas service from us at regulated rates on terms generally available to all of our customers (and, in the case of an entity, in an amount that is less than the greater of \$1 million or 2 percent of the entity's gross revenue for its last fiscal year). In each case, the Board determined these relationships to be in the ordinary course of business at regulated rates or on substantially the same terms available to non-affiliated third parties and to be immaterial in amounts to both our company and the director.

**12 ONE Gas, Inc. Notice of 2019 Annual Meeting of Shareholders and Proxy Statement**

## **Table of Contents**

### **BOARD LEADERSHIP STRUCTURE**

During 2018, our Board was led by John W. Gibson, who was the Chairman of the Board, and Eduardo A. Rodriguez, who was both our lead independent director and the chair of the Corporate Governance Committee. In addition, our Audit Committee and Executive Compensation Committee are each led by a chair and vice chair, each of whom is an independent director.

Our corporate governance guidelines provide that our Board of Directors retains the right to exercise its discretion in combining or separating the offices of the Chairman of the Board and CEO. Our Board reviews the issue as a part of its succession planning process. The Board believes that it is advantageous for the Board to maintain flexibility to determine on a case-by-case basis and, if necessary, change the Board leadership structure in order to meet our needs at any time, based on the individuals then available and the circumstances then presented.

The Board believes that maintaining Mr. Gibson's continuing service as non-executive Chairman of the Board provides the most effective leadership model for our Board and our company at this time. In making this determination, the Board considered the advantages to our company of maintaining the continuity of Mr. Gibson's effective leadership as Chairman of the Board based on, among other factors, his strong leadership skills, his extensive knowledge and experience regarding operations and the industries and markets in which we compete, as well as his ability to promote communication and to synchronize strategic objectives and activities between our Board and our senior management. The Board also believes this leadership structure continues to ensure significant independent oversight of management, as Messrs. Gibson and Norton are the only members of the Board who are not independent directors. In addition, our Board has an ongoing practice of holding executive sessions of the independent members of the board as part of each regularly scheduled in-person Board meeting.

### **LEAD INDEPENDENT DIRECTOR**

Our corporate governance guidelines vest the lead independent director who, under these guidelines, is also chair of our Corporate Governance Committee, with various key responsibilities, including but not limited to:

presiding as the chair at all meetings of the Board at which the Chairman of the Board is not present;

presiding at all executive sessions of the independent directors;

serving as liaison between the Chairman of the Board and the independent directors;

approving information sent to the Board;

approving meeting agendas for the Board; and

approving meeting schedules to assure that there is sufficient time for discussion of all agenda items.



In addition, the lead independent director has the authority to call meetings of the independent directors and, if requested by major shareholders, will be reasonably available for consultation and direct communication with such shareholders. The Lead Independent Director may also perform duties otherwise assigned to the Chairman of the Board when the offices of the Chairman of the Board and the CEO are combined.

## **SUCCESSION PLANNING**

A key responsibility of the CEO and the Board is ensuring that an effective process is in place to provide continuity of leadership over the long term at all levels in our company. Each year, succession-planning reviews are held at every significant organizational level of the company, culminating in a full review of senior leadership talent by our independent directors. During this review, the CEO, the Chairman of the Board and the independent directors discuss future candidates for senior leadership positions, succession timing for those positions and development plans for the highest-potential candidates. This process ensures continuity of leadership over the long term, and it forms the basis on which our company makes ongoing leadership assignments. It is a key success factor in managing the long-term planning and investment lead times of our business.

In addition, the CEO maintains in place at all times, and reviews with the non-management directors, a confidential plan for the timely and efficient transfer of responsibilities in the event of an emergency or sudden incapacitation or departure of the CEO.

## **OUR BOARD AND CORPORATE STRATEGY**

Our Board is actively involved in overseeing, reviewing and guiding our corporate strategy. Our Board formally reviews our company's business strategy, including the risks and opportunities facing our company and its business, at an annual strategic planning session. Our Board regularly discusses corporate strategy throughout the year with management formally as well as informally and during executive sessions of the Board as appropriate. As discussed in Risk Oversight below, our Board views risk management and oversight as an integral part of our strategic planning process, including mapping key risks to our corporate strategy and seeking to manage and mitigate risk. Our Board also views its own composition as a critical component to effective strategic oversight. Accordingly, our Board and relevant Board committees consider our business strategy and the company's regulatory, geographic and market environments when assessing board composition, director succession, executive compensation and other matters of importance.

## **Table of Contents**

### **SHAREHOLDER ENGAGEMENT**

Our Board believes that accountability to shareholders is a mark of good corporate governance and that regular shareholder engagement is important to our company's success. Our company frequently engages with shareholders on a variety of topics, with particular focus on matters relating to our company's publicly disclosed strategy and financial performance. Our company also engages with shareholders to discuss matters relating to governance, compensation, safety, environmental and other current and emerging issues that the Board and our management understand are important to our shareholders. In addition to this direct engagement, our company also maintains a number of complementary mechanisms that allow our shareholders to effectively communicate to our Board and management, including:

maintaining an investor relations page on our website;

regularly presenting at investor conferences;

conducting an annual advisory vote to approve executive compensation;

if requested by major shareholders, ensuring the lead independent director is available for consultation and direct communication;

permitting shareholders to submit prospective candidates for nomination by our Board for election at the annual meeting of shareholders in accordance with our corporate governance guidelines and bylaws;

permitting shareholders to nominate candidates for election at the annual meeting of shareholders in accordance with our bylaws; and

providing shareholders the ability to attend and voice opinions at the annual meeting of shareholders.

### **RISK OVERSIGHT**

We have integrated a comprehensive Enterprise Risk Management (ERM) process as part of strategy setting and driving performance throughout the organization, which includes identifying, aggregating, monitoring, measuring, assessing and managing risks that could affect our ability to fulfill our business objectives or execute our corporate strategy. These risks generally relate to strategic, operational, financial, regulatory compliance and human resources issues. Our ERM approach is overseen by our CFO and is designed to enable our Board to establish a mutual understanding with management of the effectiveness of our risk-management practices and capabilities, to review our risk exposure and to elevate certain key risks for discussion at the Board level. Management and our Board believe that risk management is an integral part of our annual strategic planning process, which addresses, among other things, the risks and opportunities facing our company.

Not all risks can be dealt with in the same way. Some risks may be easily perceived and controllable, and other risks are unknown; some risks can be avoided or mitigated by particular behavior, and some risks are unavoidable as a practical matter. For some risks, the potential adverse impact would be minor and, as a matter of business judgment, it may not be appropriate to allocate significant resources to avoid the adverse impact. In other cases, the adverse impact could be significant, and it is prudent to expend resources to seek to avoid or mitigate the potential adverse impact. In some cases, a higher degree of risk may be acceptable because of a greater perceived potential for reward.

Management is responsible for identifying risks and controls related to our significant business activities; mapping the risks to our corporate strategy; and developing programs and recommendations to determine the sufficiency of risk identification, the balance of potential risk to potential reward and the appropriate manner in which to control and mitigate risk.

The Board implements its risk oversight responsibilities by having management provide periodic briefing and informational sessions on the significant voluntary and involuntary risks that our company faces and how our company is seeking to control and mitigate those risks. In some cases, as with risks relating to significant acquisitions, risk oversight is addressed as part of the full Board's engagement with the CEO and management.

The Board annually reviews a management assessment of the various operational and regulatory risks facing our company, their relative magnitude and management's plan for mitigating these risks. The Board also reviews risks related to our company's business strategy at its annual strategic planning meeting and at other meetings as appropriate.

In certain cases, a Board committee is responsible for oversight of specific risk topics. For example, the Audit Committee oversees risk issues associated with our overall financial reporting and disclosure process and legal compliance, as well as reviewing policies and procedures on risk-control assessment and accounting risk exposure, including our companywide risk control activities. The Audit Committee meets with our executive officers and meets with our Director Audit Services, as well as with our independent registered public accounting firm, in separate executive sessions at each of its in-person meetings during the year, at which time risk issues are discussed regularly.

In addition, our Executive Compensation Committee oversees risks related to our compensation program, as discussed in greater detail elsewhere in this proxy statement, and our Corporate Governance Committee oversees risks related to our governance practices and policies.

## **BOARD AND COMMITTEE MEMBERSHIP**

Our business, property and affairs are managed under the direction of our Board. Members of our Board are kept informed of our business through discussions with our CEO and other officers, by reviewing materials provided to them periodically and in connection with Board and committee meetings, and by participating in meetings of the Board and its committees.

**Table of Contents**

During 2018, the Board held nine regular meetings (six in-person and three telephonic meetings) and no special meetings. All of our incumbent directors who served on the Board during 2018 attended more than 75 percent of the aggregate of the meetings of the Board and Board committees on which they served.

Our corporate governance guidelines provide that members of our Board are expected to attend our Annual Meeting of Shareholders. All then-current members of the Board attended the 2018 Annual Meeting of Shareholders.

The Board has four standing committees: the Audit Committee, the Executive Compensation Committee, the Corporate Governance Committee and the Executive Committee. The table below provides the current membership of our Board and each of our Board committees. Our Board has determined affirmatively that each member of our Audit Committee, Executive Compensation Committee and Corporate Governance Committee is independent under our corporate governance guidelines, our director independence guidelines and the rules of the NYSE.

| Director              | Board  | Audit      | Executive Compensation | Corporate Governance | Executive |
|-----------------------|--------|------------|------------------------|----------------------|-----------|
| Arcilia C. Acosta     | Member | Member     | Member                 | Member               |           |
| Robert B. Evans       | Member | Vice Chair | Member                 | Member               |           |
| John W. Gibson        | Chair  |            |                        |                      | Chair     |
| Tracy E. Hart         | Member | Member     | Member                 | Member               |           |
| Michael G. Hutchinson | Member | Chair      | Member                 | Vice Chair           | Member    |

Edgar Filing: ONE Gas, Inc. - Form DEF 14A

|                |        |        |       |        |        |
|----------------|--------|--------|-------|--------|--------|
| Patty L. Moore | Member | Member | Chair | Member | Member |
|----------------|--------|--------|-------|--------|--------|

|                     |        |  |  |  |        |
|---------------------|--------|--|--|--|--------|
| Pierce H. Norton II | Member |  |  |  | Member |
|---------------------|--------|--|--|--|--------|

|                      |        |        |        |       |        |
|----------------------|--------|--------|--------|-------|--------|
| Eduardo A. Rodriguez | Member | Member | Member | Chair | Member |
|----------------------|--------|--------|--------|-------|--------|

|                   |        |        |            |        |  |
|-------------------|--------|--------|------------|--------|--|
| Douglas H. Yaeger | Member | Member | Vice Chair | Member |  |
|-------------------|--------|--------|------------|--------|--|

|                            |   |   |   |   |   |
|----------------------------|---|---|---|---|---|
| Number of meetings in 2018 | 9 | 6 | 4 | 4 | 0 |
|----------------------------|---|---|---|---|---|

**ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement **15**

**Table of Contents**

Our Board has adopted written charters for each of its Audit, Executive Compensation, Corporate Governance and Executive Committees. Copies of the charters of each of these committees are available on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com). Copies are also available from our corporate secretary upon request. The responsibilities of our Board committees are summarized below. From time to time the Board, in its discretion, may form other committees.

**THE AUDIT  
COMMITTEE**
**2018 Meetings: 6**

The Audit Committee represents and assists our Board with oversight of the integrity of our financial statements and internal controls, our compliance with legal and regulatory requirements, the independence, qualifications and performance of our independent registered public accounting firm and the performance of our internal audit function. The responsibilities of the Audit Committee include:

appointing, compensating and overseeing our independent auditor;

reviewing the scope, plans and results relating to the external audits of our financial statements;

reviewing the scope, plans and results relating to internal audits;

monitoring and evaluating our financial condition;

monitoring and evaluating the integrity of our financial reporting processes and procedures;

assessing our significant financial risks and exposures and evaluating the adequacy of our internal controls in connection with such risks and exposures, including, but not limited to, internal controls over financial reporting and disclosure controls and procedures;

reviewing policies and procedures on risk-control assessment and accounting risk exposure, including our companywide risk control activities; and

monitoring our compliance with our policies on ethical business conduct.

Our independent registered public accounting firm reports directly to our Audit Committee. All members of our Audit Committee are independent under the independence requirements of the NYSE and the SEC applicable to audit committee members. The Board has determined that Arcilia C. Acosta, Robert E. Evans, Tracy E. Hart, Michael G. Hutchinson, Eduardo A. Rodriguez and Douglas H. Yaeger are each an audit committee financial expert under the applicable rules of the SEC and all members of the Audit Committee are financially literate and six of the seven committee members are audit committee financial experts. No member of our Audit Committee serves on the audit committees of more than three other public companies.

**Table of Contents**

|                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>THE EXECUTIVE<br/>COMPENSATION<br/>COMMITTEE</b></p> | <p>Our Executive Compensation Committee is responsible for establishing and periodically reviewing our executive compensation policies and practices. This responsibility includes:</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p><b>2018 Meetings: 4</b></p>                             | <p>evaluating, in consultation with our Corporate Governance Committee, the performance of our CEO, and recommending to our Board the compensation of our CEO and our other senior executive officers;</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                                            | <p>reviewing and approving, in consultation with our Corporate Governance Committee, the annual objectives of our CEO;</p> <p>reviewing our executive compensation program to ensure the attraction, retention and appropriate compensation of executive officers in order to motivate their performance in the achievement of our business objectives and to align their interests with the long-term interests of our shareholders;</p> <p>assessing the risks associated with our compensation program;</p> <p>approving, subject to ratification by the full Board, executive officer compensation and personnel policies, programs and plans; and</p> <p>reviewing and making recommendations to the full Board on director compensation.</p> <p>Our Executive Compensation Committee meets periodically during the year to review our executive and director compensation policies and practices. Executive officer salaries and STI and LTI compensation are determined annually by the Committee. The scope of the authority of the Committee is not limited except as set forth in its charter and by applicable law. The Committee has the authority to delegate duties to subcommittees of the Committee, or to other standing committees of the Board, as it deems necessary or appropriate. The Committee may not delegate to a subcommittee any authority required by any law, regulation or listing standard to be exercised by the Committee as a whole. All members of our Executive Compensation Committee are</p> |



independent under the independence requirements of the NYSE applicable to compensation committee members.

The compensation group in our corporate human resources department supports, in consultation with our CEO, the Executive Compensation Committee in its work.

During 2018, the Executive Compensation Committee engaged Meridian, as an independent executive compensation consultant to assist the Committee in its evaluation of the amount and form of compensation paid in 2018 to our CEO, our other executive officers and our directors. Meridian reported directly to the Executive Compensation Committee. For more information on executive compensation and the role of this consultant, see Compensation Discussion and Analysis How We Determine Pay Role of the Independent Executive Compensation Consultant at page 42.

## THE CORPORATE GOVERNANCE COMMITTEE

2018 Meetings: 4

Our Corporate Governance Committee is responsible for overseeing our company's governance, including the selection of directors and the Board's practices and effectiveness. These responsibilities include:

- identifying and recommending qualified director candidates, including qualified director candidates suggested by our shareholders in written submissions to our corporate secretary in accordance with our corporate governance guidelines and our bylaws or in accordance with the rules of the SEC;

- making recommendations to the Board with respect to electing directors and filling vacancies on the Board;

- adopting an effective process for director selection and tenure by making recommendations on the Board's organization and practices and by aiding in identifying and recruiting director candidates;

- reviewing and making recommendations to the Board with respect to the organization, structure, size, composition and operation of the Board and its committees;

in consultation with our Chairman of the Board and CEO and the Executive Compensation Committee, overseeing management succession and development; and

reviewing, assessing risk and making recommendations with respect to other corporate governance matters.

All members of the Corporate Governance Committee are independent under the independence requirements of the NYSE.

**Table of Contents****THE EXECUTIVE COMMITTEE****2018 Meetings: 0**

In the intervals between meetings of our Board, the Executive Committee may, except as otherwise provided in our bylaws and applicable law, exercise the powers and authority of the full Board in the management of our property, affairs and business. The function of this committee is to act on major matters where it deems action appropriate, providing a degree of flexibility and ability to respond to time-sensitive business and legal matters without calling a special meeting of our full Board. The Executive Committee reports to the Board at its next meeting on any actions taken by the committee.

**DIRECTOR NOMINATIONS**

Our corporate governance guidelines provide that the Board is responsible for nominating candidates for Board membership and for the delegation of the screening process to the Corporate Governance Committee of the Board. This committee, with recommendations and input from our Chairman of the Board, CEO and the directors, evaluates the qualifications of each director candidate and assesses the appropriate mix of skills, qualifications and characteristics required of Board members in the context of the perceived needs of the Board at a given point in time. The Corporate Governance Committee is responsible for recommending to the full Board candidates for nomination by the Board for election as members of our Board.

Our corporate governance guidelines provide that candidates for nomination by the Board must be committed to devote the time and effort necessary to be productive members of the Board and that, in nominating candidates, the Board will endeavor to establish director diversity in personal background, race, gender, age and nationality. The guidelines also provide that the Board will seek to maintain a mix that includes, but is not limited to, the following areas of core competency: accounting and finance; investment banking; business judgment; management; industry knowledge; crisis response; international business; leadership; strategic vision; law; and corporate relations.

The Corporate Governance Committee's charter provides that it has the responsibility, in consultation with the Chairman of the Board and CEO, to search for, recruit, screen, interview and recommend to the Board candidates for the position of director as necessary to fill vacancies on the Board or the additional needs of the Board and to consider management and shareholder recommendations for candidates for nomination by the Board. In carrying out this responsibility, the Corporate Governance Committee evaluates the qualifications and performance of incumbent directors and determines whether to recommend them for re-election to the Board. In addition, this committee determines, as necessary, the portfolio of skills, experience, diversity, perspective and background required for the effective functioning of the Board considering our business strategy and our regulatory, geographic and market environments.

Our corporate governance guidelines contain a policy regarding the Corporate Governance Committee's consideration of prospective director candidates recommended by shareholders for nomination by our Board. Under this policy, and in accordance with our bylaws, any shareholder who wishes to recommend a prospective candidate for nomination by our Board for election at our 2020 annual meeting should send a letter of recommendation to our corporate secretary at our principal executive offices by no later than December 5, 2019. The letter should include the name, address and number of shares owned by the recommending shareholder (including, if the recommending shareholder is not a

shareholder of record, proof of ownership of the type referred to in Rule 14a-8(b)(2) of the proxy rules of the SEC), the prospective candidate's name and address, a description of the prospective candidate's background, qualifications and relationships, if any, with our company and all other information necessary for our Board to determine whether the prospective candidate meets the independence standards under the rules of the NYSE and our director independence guidelines. A signed statement from the prospective candidate should accompany the letter of recommendation indicating that he or she consents to being considered as a nominee of the Board and that, if nominated by the Board and elected by the shareholders, he or she will serve as a director. The Corporate Governance Committee will evaluate prospective candidates recommended by shareholders for nomination by our Board in light of the various factors set forth above.

Neither the Corporate Governance Committee, the Board, nor our company itself discriminates in any way against prospective candidates for nomination by the Board on the basis of age, sex, race, religion, or other personal characteristics. There are no differences in the manner in which the Corporate Governance Committee or the Board evaluates prospective candidates based on whether the prospective candidate is recommended by a shareholder or by the Corporate Governance Committee, provided that the recommending shareholder furnishes to our company a letter of recommendation containing the information described above along with the signed statement of the prospective candidate referred to above.

In addition to having the ability to recommend prospective candidates for nomination by our Board, under our bylaws, shareholders may themselves nominate candidates for election at an annual meeting of shareholders. Any shareholder who desires to nominate candidates for election as directors at our 2020 annual meeting must follow the procedures set forth in our bylaws. Under these procedures, notice of a shareholder nomination for the election of a director must be received by our corporate secretary at our principal executive offices not less than 120 calendar days before the first anniversary of the date that our proxy statement was released to shareholders in connection with our 2019 Annual Meeting of Shareholders (i.e., notice must be received no later than December 5, 2019). If the date of the 2020 annual meeting is more than 30 days from the first anniversary date of the 2019 meeting, our corporate secretary must receive notice of a shareholder nomination by the close of business on the tenth day following the earlier of (i) the day on which notice of the date of the meeting is mailed to shareholders or (ii) the day on which public announcement of the meeting date is made. In accordance with our bylaws, a shareholder notice must contain certain information about the candidate the shareholder desires to nominate for election as a director, including: (a) the name, age, business address and residence address of such person; (b) the principal occupation or employment of such person; (c) the class or series and number of our shares that are owned beneficially or of record

## **18      ONE Gas, Inc. Notice of 2019 Annual Meeting of Shareholders and Proxy Statement**

## **Table of Contents**

by such person and any affiliates or associates of such person; (d) the name of each nominee holder of our shares owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of our shares held by each such nominee holder; (e) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to our shares; (f) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of our shares) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to our shares; (g) such person's written and executed representation and agreement (in the form provided by the corporate secretary upon written request) that such person (1) is not and will not become a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the company, will act or vote on any issue or question, (2) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director of the company that has not been disclosed to the company in such representation and agreement and (3) in such person's individual capacity, would be in compliance, if elected as a director of the company, and, if elected as a director, will comply with, all applicable publicly disclosed confidentiality, corporate governance, conflict of interest, Regulation FD, code of conduct and ethics, and stock ownership and trading policies and guidelines of the company; (h) such person's completed written questionnaire with respect to the background and qualification of such individual and the background of any other person or entity on whose behalf, directly or indirectly, the nomination is being made (which form of questionnaire shall be promptly provided by the corporate secretary to the requesting shareholder upon written request) and (i) all other information relating to such person that would be required to be disclosed in connection with a solicitation of proxies for the election of such person as a director, or would be otherwise required to be disclosed in connection with such solicitation, in each case pursuant to Regulation 14A under the Exchange Act, including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected).

In addition, as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made, the notice must set forth: (a) the name and address, as they appear on the company's books, of such shareholder, and the name and address of such beneficial owner, if any, and any other shareholders known by such shareholder to be supporting such nominee(s); (b) the class and number of our shares that are owned beneficially and of record by such person and any affiliates or associates of such person; (c) the name of each nominee holder of our shares owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares held by each such nominee holder; (d) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to our shares; (e) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of our shares) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to our shares; (f) a representation that the shareholder giving notice intends to appear in person or by proxy at the annual meeting or special meeting to nominate the persons named in its notice; (g) a description of all agreements, arrangements and understandings between such person or any affiliate or associate of such person, and any other person or persons (including their names) in connection with the nomination by such shareholder; and (h) all other information that would be required to be disclosed by such person as a participant in a solicitation of proxies for the

election of directors in a contested election, or would be otherwise required to be disclosed in connection with such solicitation, in each case pursuant to Regulation 14A under the Exchange Act. This information must be supplemented by such shareholder and beneficial owner, if any, not later than ten (10) days after the record date for the meeting to disclose all such information as of the record date.

At the request of the company, each proposed nominee must submit to the corporate secretary such other information as the company may reasonably require, including such information as may be necessary or appropriate in determining the eligibility of such proposed nominee to serve as an independent director of the company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

## **DIRECTOR COMPENSATION**

The Executive Compensation Committee's independent compensation consultant, Meridian, annually advises the Executive Compensation Committee on matters related to non-management director compensation including competitive market data for the company's peer group. The Executive Compensation Committee reviews and discusses the director compensation information provided by Meridian and makes a recommendation to the full Board with respect to non-management director compensation. The Executive Compensation Committee's philosophy with respect to non-management director compensation is to target at or below the market median. The components of non-management director compensation include an annual cash retainer, additional annual cash retainers for the Chairman of the Board, the chairs of the Audit, Executive Compensation and Corporate Governance Committees and an annual stock retainer. No separate per meeting fees are paid to the non-management directors.

Compensation for each of our non-management directors for their service on our Board is paid on an annual meeting date basis. Based on the market information provided by Meridian in December 2017 indicating that our non-management director compensation was significantly below

**Table of Contents**

market median compared to our peers, coupled with the decision of the Executive Compensation Committee to consider non-management director compensation on a three-year basis, the Executive Compensation Committee recommended and the full Board approved non-management director compensation on a three-year cycle. For the period of May 24, 2018, through May 22, 2019, non-management director compensation consists of \$85,000 in an annual cash retainer and a \$110,000 stock retainer. The chairs of our Audit and Executive Compensation Committees receive an additional annual cash retainer of \$15,000, and our lead independent director, who is also chair of our Corporate Governance Committee, receives an additional annual cash retainer of \$30,000. Our Chairman of the Board receives an additional annual cash retainer of \$85,000 for his service. Non-management director compensation will next be considered in 2020.

Upon their election in July 2018, Mesdames Acosta and Hart received pro-rata non-management director compensation for the period from July 23, 2018, through May 22, 2019.

All directors are reimbursed for reasonable expenses incurred in connection with attendance at Board and committee meetings.

The CEO, as the sole management director, receives no compensation for his service as a director.

Our Board has established minimum share ownership guidelines for members of our Board. The guidelines provide that within five years after joining the Board, each non-management director will own shares of the company's common stock having a value, at a minimum, of five times the annual cash retainer for service on the Board (excluding annual retainers for service as a chair of a Board committee or for service as Chairman of the Board) as established from time to time by the Board. Shares that count toward this ownership guideline include shares owned outright in the director's name, shares held in trust for the director's benefit or the benefit of the director's immediate family, and phantom shares held in the director's account under any company deferred compensation plan for non-employee directors or any similar plan or arrangement. Shares that do not count toward this ownership guideline include unexercised stock options and shares of restricted stock for which restrictions have not yet lapsed (unvested restricted stock). A non-management director will not be allowed to sell shares of the company's common stock (using established pre-clearance procedures) unless such director's holdings of the company's common stock meet the established minimum ownership guideline. Ms. Moore and Messrs. Evans, Gibson, Hutchinson, Rodriguez and Yaeger have each satisfied the minimum share ownership guidelines. Mesdames Acosta and Hart have until July 23, 2023, to satisfy the minimum share ownership guidelines.

The following table sets forth the compensation paid to our non-management directors in 2018:

**Director Compensation for 2018**

| Director | Fees<br>Earned or<br>Paid in<br>Cash <sup>(1)</sup> | Stock<br>Awards<br>(1)(2)(3) | Nonqualified<br>Deferred<br>Compensation<br>Earnings <sup>(4)</sup> | All Other<br>Compensation <sup>(5)</sup> | Total      |
|----------|-----------------------------------------------------|------------------------------|---------------------------------------------------------------------|------------------------------------------|------------|
|          | \$ 70,950                                           | \$ 91,818                    | \$ -                                                                | \$ -                                     | \$ 162,768 |

Arcilia C. Acosta

Robert B. Evans      \$ 85,000   \$ 110,000      \$ -      \$ -      \$ 195,000

John W. Gibson      \$ 170,000   \$ 110,000      \$3,823      \$20,000      \$ 303,823

Tracy E. Hart      \$ 70,950   \$ 91,818      \$ -      \$ -      \$ 162,768

Michael G. Hutchinson   \$ 100,000   \$ 110,000      \$ -      \$ -      \$ 210,000

Patty L. Moore      \$ 100,000   \$ 110,000      \$ -      \$ 5,000      \$ 215,000

Eduardo A. Rodriguez   \$ 115,000   \$ 110,000      \$ -      \$ -      \$ 225,000

Douglas H. Yaeger      \$ 85,000   \$ 110,000      \$ -      \$ -      \$ 195,000

(1) Non-management directors may defer all or a part of their annual cash and stock retainers under our Deferred Compensation Plan for Non-Employee Directors. During the year ended December 31, 2018, \$365,612 of the total amount payable for directors' fees were deferred under this plan at the election of five of our directors. Deferred amounts are treated, at the election of the participating director, either as phantom stock or as a cash deferral. Phantom stock deferrals are treated as though the deferred amount is invested in our common stock at the fair market value on the date the deferred amount was earned. Phantom stock earns the equivalent of dividends declared on our common stock, reinvested in phantom shares of our common stock based on the closing price of our common stock on the payment date of each common stock dividend. The shares of our common stock reflected in a non-management director's phantom stock account are issued to the director under our ECP on the last day of the director's service as a director or a later date selected by the director. Cash deferrals earn interest at a rate equal to Moody's Bond Indices Corporate AAA on the first business day of the plan year, plus 100 basis points, which, at



January 2, 2018, was 4.52 percent. The following table sets forth, for each non-management director, the amount of director compensation deferred during 2018 and cumulative deferred compensation as of December 31, 2018.

**20**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

| Director              | Board Fees<br>Deferred to<br>Phantom Stock in<br>2018 (a) | Dividends<br>Earned on<br>Phantom Stock<br>Reinvested in 2018<br>(b) | Total Board<br>Fees<br>Deferred to<br>Phantom Stock at<br>December 31, 2018<br>(a) | Total<br>Shares<br>of<br>Phantom<br>Stock Held<br>December 31, 2018 | Board<br>Fees<br>Deferred to<br>Cash in December 31,<br>2018 (c) | Total<br>Board<br>Fees<br>Deferred<br>to<br>Cash at<br>December 31,<br>2018 (c) |
|-----------------------|-----------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Arcilia C. Acosta     | \$ 81,384                                                 | \$ 466                                                               | \$ 81,850                                                                          | 1,018                                                               | \$ -                                                             | \$ -                                                                            |
| Robert B. Evans       | \$ -                                                      | \$ -                                                                 | \$ -                                                                               | -                                                                   | \$ -                                                             | \$ -                                                                            |
| John W. Gibson        | \$ 110,000                                                | \$ 17,413                                                            | \$ 540,307                                                                         | 10,362                                                              | \$ 170,000                                                       | \$ 907,984                                                                      |
| Tracy E. Hart         | \$ 36,727                                                 | \$ 442                                                               | \$ 37,169                                                                          | 485                                                                 | \$ -                                                             | \$ -                                                                            |
| Michael G. Hutchinson | \$ -                                                      | \$ -                                                                 | \$ -                                                                               | -                                                                   | \$ -                                                             | \$ -                                                                            |
| Patty L. Moore        | \$ 110,000                                                | \$ 17,413                                                            | \$ 540,307                                                                         | 32,945                                                              | \$ -                                                             | \$ -                                                                            |
| Eduardo A. Rodriguez  | \$ 27,500                                                 | \$ 885                                                               | \$ 46,864                                                                          | 1,331                                                               | \$ -                                                             | \$ -                                                                            |

Douglas H. Yaeger      \$           -      \$           -      \$           -           -      \$           -      \$           -

(a) Reflects the value of the annual cash and stock retainers (based on the average of our high and low stock price on the NYSE on the grant date) deferred to phantom stock by a director under our Deferred Compensation Plan for Non-Employee Directors.

(b) Dividend equivalents paid on phantom stock are reinvested in additional shares of phantom stock based on the closing price of our common stock on the NYSE on the date the dividend equivalent was paid.

(c) Mr. Gibson deferred board fees in the amount of \$170,000 to cash in 2018. The total amount deferred to cash reflects the balance in Mr. Gibson's cash deferral account. Cash deferrals earn interest at a rate equal to Moody's Bond Indices Corporate AAA on the first business day of the plan year, plus 100 basis points which, at January 2, 2018, was 4.52 percent.

(2) The amounts in this column reflect the aggregate grant date fair value, computed in accordance with Financial Accounting Standards Board's Accounting Standards Codification Topic 718, Compensation-Stock Compensation (ASC Topic 718), with respect to stock awards received by directors for service on our Board. Since the shares are issued free of any restrictions on the grant date, the grant date fair value of these awards is based on the average of our high and low stock price on the NYSE on the date of grant. The following table sets forth the number of shares and grant date fair value of such shares of our common stock issued to our non-management directors during 2018 for service on our Board.

| Director          | Shares<br>Awarded<br>in<br>2018 | Aggregate<br>Grant Date<br>Fair<br>Value |
|-------------------|---------------------------------|------------------------------------------|
| Arcilia C. Acosta | 1,142                           | \$ 91,818                                |
| Robert B. Evans   | 1,512                           | \$110,000                                |
| John W. Gibson    | 1,512                           | \$110,000                                |

|               |       |           |
|---------------|-------|-----------|
| Tracy E. Hart | 1,198 | \$ 91,818 |
|---------------|-------|-----------|

|                       |       |           |
|-----------------------|-------|-----------|
| Michael G. Hutchinson | 1,512 | \$110,000 |
|-----------------------|-------|-----------|

|                 |       |           |
|-----------------|-------|-----------|
| Pattye L. Moore | 1,512 | \$110,000 |
|-----------------|-------|-----------|

|                      |       |           |
|----------------------|-------|-----------|
| Eduardo A. Rodriguez | 1,512 | \$110,000 |
|----------------------|-------|-----------|

|                   |       |           |
|-------------------|-------|-----------|
| Douglas H. Yaeger | 1,512 | \$110,000 |
|-------------------|-------|-----------|

(3) For the aggregate number of shares of our common stock and phantom stock held by each member of our Board at March 1, 2019, see [Stock Ownership Holdings of Officers and Directors](#) at page 38.

(4) Reflects above-market earnings on Board of Directors fees deferred to cash under our Deferred Compensation Plan for Non-Employee Directors which provides for payment of interest on cash deferrals at a rate equal to Moody's Bond Indices Corporate AAA on the first business day of the plan year, plus 100 basis points, which, at January 2, 2018, was 4.52 percent.

(5) Reflects charitable contributions made by our company or the ONE Gas Foundation, Inc., on behalf of members of our Board as follows: (a) matching contributions up to \$5,000 per year to non-profit organizations of his or her choice pursuant to our Matching Grants Program for Directors of ONE Gas through our Community Investment Program; and (b) matching contributions to the United Way pursuant to our annual United Way contribution program.

## **Table of Contents**

### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During 2018, Mesdames Acosta, Hart and Moore and Messrs. Evans, Hutchinson, Rodriguez and Yaeger served on our Executive Compensation Committee. No member of the Executive Compensation Committee was an officer or employee of the company or its subsidiary during 2018, and no member of this committee was formerly an officer of the company or its subsidiary. In addition, during 2018, none of our executive officers served as a member of a compensation committee or Board of any other entity of which any member of our Board was an executive officer.

Ms. Moore currently serves as the Chair of the ONEOK Executive Compensation Committee, and Mr. Rodriguez serves as Vice Chair of the ONEOK Executive Compensation Committee.

### **EXECUTIVE SESSIONS OF THE BOARD**

The non-management members of our Board meet in regularly scheduled executive sessions without any members of management present. Our Chairman of the Board presides during the non-management executive sessions of the Board. During 2018, the non-management members of our Board met in executive session during each regularly scheduled in-person meeting of the Board held during the year. We intend to continue this practice of regularly scheduled meetings of the non-management members of our Board.

Our corporate governance guidelines provide that our lead independent director, who is the chair of our Corporate Governance Committee, presides as the chair at executive session meetings of the independent members of our Board. The independent members of the Board meet in regularly scheduled executive sessions without any members of management or non-independent directors present in connection with each regularly scheduled in-person meeting of the Board. During 2018, the independent members of our Board met in executive session during each regularly scheduled in-person meeting of the Board held during the year. We intend to continue this practice of regularly scheduled meetings of the independent members of our Board.

### **COMMUNICATIONS WITH DIRECTORS**

Our Board believes that it is management's role to speak for our company. Directors refer all inquiries regarding our company from institutional investors, analysts, the news media, customers or suppliers to our CEO or his designee. Our Board also believes that any communications between members of the Board and interested parties, including shareholders, should be conducted with the knowledge of our CEO. Interested parties, including shareholders, may contact one or more members of our Board, including non-management directors and non-management directors as a group, by writing to the director or directors in care of our corporate secretary at our principal executive offices. A communication received from an interested party or shareholder will be forwarded promptly to the director or directors to whom the communication is addressed. A copy of the communication also will be provided to our CEO. We will not, however, forward sales or marketing materials, materials that are abusive, threatening or otherwise inappropriate, or correspondence not clearly identified as interested party or shareholder correspondence.

### **COMPLAINT PROCEDURES**

Our Board has adopted procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and complaints or concerns under our code of business conduct and ethics. These procedures allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters and matters arising under our code of business conduct and ethics. The full text of these procedures, known as our whistleblower policy, is published on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from our corporate secretary upon request.

|           |                                                                                        |
|-----------|----------------------------------------------------------------------------------------|
| <b>22</b> | <b>ONE Gas, Inc.</b> Notice of 2019 Annual Meeting of Shareholders and Proxy Statement |
|-----------|----------------------------------------------------------------------------------------|

---

**Table of Contents**

**PROPOSAL 1 ELECTION OF DIRECTORS**

**ELECTION BY MAJORITY VOTE**

In conjunction with the 2018 Annual Meeting of Shareholders, our shareholders approved our Amended and Restated Certificate of Incorporation, which among other things, declassified our Board such that all directors are elected annually for one-year terms. Therefore, all nine current directors are standing for election for one-year terms.

Recognizing the need to ensure an appropriate balance of experience, expertise and perspective on our Board, in July 2018 our Board, based on the recommendation of our Corporate Governance Committee, elected two new directors: Arcilia C. Acosta and Tracy E. Hart. Mesdames Acosta and Hart bring a wealth of experience in project management, construction, executive management, operations and strategic and financial planning to the Board. Your Board of Directors believes that its current membership reflects a balanced Board with deep experience and diverse expertise.

Our bylaws provide that, in the case of uncontested elections (i.e., elections where the number of nominees is the same as the number of directors to be elected), director nominees are elected by the vote of a majority of the votes cast with respect to that nominee. Abstentions and broker non-votes with respect to the election of a director do not count as votes cast. Our corporate governance guidelines provide that any uncontested nominee for director who fails to receive the requisite majority vote at an annual or special meeting held for the purpose of electing directors where the election is uncontested must, promptly following certification of the shareholder vote, tender his or her resignation to the Board. The Board (excluding the director who tendered the resignation) will evaluate any such resignation in light of the best interests of the company and our shareholders in determining whether to accept or reject the resignation, or whether other action should be taken. In reaching its decision, the Board may consider any factors it deems relevant, including the director's qualifications, the director's past and expected future contributions to the company, the overall composition of the Board and whether accepting the tendered resignation would cause the company to fail to comply with any applicable rule or regulation (including the NYSE listing requirements and the federal securities laws). The Board will act on the tendered resignation and publicly disclose its decision and rationale within 90 days following certification of the shareholder vote.

If no directors receive the requisite majority vote at an annual or special meeting held for the purpose of electing directors where the election is uncontested, then, pursuant to our corporate governance guidelines, the incumbent Board will, within 180 days after the certification of the shareholder vote, nominate a new slate of directors and hold a special meeting for the purpose of electing those nominees. In this circumstance, the incumbent Board will continue to serve until new directors are elected and qualified.

The persons named in the accompanying proxy card intend to vote such proxy in favor of the election of each of the nominees named below, who are all currently directors, unless the proxy provides for a vote against the director. Although the Board has no reason to believe that the nominees will be unable to serve as directors, if a nominee withdraws or otherwise becomes unavailable to serve, the persons named as proxies will vote for any substitute nominee designated by the Board, unless contrary instructions are given on the proxy. Except for these nominees, no other person has been recommended to our Board as a potential nominee or otherwise nominated for election as a director.

**BOARD DIVERSITY**

Our Board recognizes the importance of diversity on the Board. Diversity brings different perspectives to Board discussions and deliberations. During 2018, the Board appointed two highly qualified female directors, bringing the

total females on the Board to three (33%). Our Board is also comprised of two Hispanic directors (Ms. Acosta and Mr. Rodriguez)(22%). The Board is also diverse in terms of age, with ages ranging from 53 to 70. Average director tenure is slightly over four years.

## BOARD QUALIFICATIONS

Our corporate governance guidelines provide that our Corporate Governance Committee will evaluate the qualifications of each director candidate and assess the appropriate mix of skills and characteristics required of Board members in the context of the perceived needs of the Board at a given point in time. Each director also is expected to:

exhibit high standards of integrity, commitment and independence of thought and judgment;

use his or her skills and experiences to provide independent oversight to the business of our company;

be willing to devote sufficient time to carrying out his or her duties and responsibilities effectively;

devote the time and effort necessary to learn the business of the company and the Board;

represent the long-term interests of all shareholders; and

participate in a constructive and collegial manner.

In addition, our corporate governance guidelines provide that, in nominating candidates, the Board will endeavor to establish director diversity in personal background, race, gender, age and nationality, and to maintain a mix that includes, but is not limited to, the following areas of core



## **Table of Contents**

competency: accounting and finance; investment banking; business judgment; management; industry knowledge; crisis response; international business; leadership; strategic vision; law; and corporate relations.

Your Board believes that each member of our Board possesses the necessary integrity, skills and qualifications to serve on our Board and that their individual and collective skills and qualifications provide them with the ability to engage management and each other in a constructive and collaborative fashion and, when necessary and appropriate, challenge management in the execution of our business operations and strategy.

The following table summarizes the Board's skills and qualifications as an easy reference:

C = Committee chair

VC = Committee vice-chair

M = Committee member

Certain information with respect to the nine nominees for election at the annual meeting, is set forth below. This information includes their names, ages, a brief description of their recent business experience, including present occupations and employment, certain directorships that each person holds and the year in which each person became a director of the company. All nine director nominees currently serve as directors of the company.

None of the director nominees are being proposed for election pursuant to any agreement or understanding between the nominees and the company or any other person(s).

There are no family relationships between or among any of the director nominees and executive officers.

**YOUR BOARD UNANIMOUSLY RECOMMENDS A VOTE **FOR** EACH NOMINEE.**

**Table of Contents**

**DIRECTOR NOMINEES**

Set forth below is certain information with respect to each nominee for election as a director, each of whom is a current director.

**ARCILIA C.  
ACOSTA**

Ms. Acosta currently serves as the President and Chief Executive Officer of CARCON Industries and Construction, a Dallas based firm specializing in commercial, industrial and transportation design and build construction, and has since 2000. She is also the founder and Chief Executive Officer of Southwestern Testing Laboratories, L.L.C., a geotechnical engineering and construction materials testing firm established in 2003.

**Age:** 53

**Director Since:** 2018

**Independent:** Yes

Ms. Acosta is a director of Legacy Texas Financial Group, N.A., a bank holding company with an asset size of over \$7.5 billion and more than 50 retail branches in Texas, since 2013. Ms. Acosta was elected to the board of Magnolia Oil and Gas Corporation (previously known as TPG Pace Energy Holdings Corp.) in May 2017. In 2008, Ms. Acosta joined the Board of Directors of Energy Future Holdings Corporation and served for over ten years until 2018. She is also a member of the national Women Energy Directors Network.

An accomplished business leader, Ms. Acosta's qualifications to serve on our Board of Directors includes extensive experience providing executive leadership in engineering and construction projects, operations and safety matters. She is an experienced entrepreneur, nationally recognized speaker, philanthropist and top executive recognized by several publications and organizations. In 2014, Ms. Acosta was inducted into the National Women's Business Hall of Fame and Texas Diversity Council named her Most Powerful and Influential Woman in Texas. In March 2016, the Governor of Texas appointed Ms. Acosta to the Texas Higher Education Coordinating Board.

Ms. Acosta's qualifications to serve on our Board of Directors includes her leadership positions and her experience in executive management, operations, safety, construction management and engineering management. In light of Ms. Acosta's extensive executive managerial experience and her operational skills, our Board of Directors has concluded that Ms. Acosta should continue as a member of our Board.

**Committee Member:** Audit, Corporate Governance, Executive Compensation

**Board skills and qualifications:**

|                                    |                                  |
|------------------------------------|----------------------------------|
| Executive management               | Safety                           |
| Operations                         | Strategic and financial planning |
| Construction management            | Engineering management           |
| Accounting and financial expertise |                                  |

|                                                                                        |           |
|----------------------------------------------------------------------------------------|-----------|
| <b>ONE Gas, Inc.</b> Notice of 2019 Annual Meeting of Shareholders and Proxy Statement | <b>25</b> |
|----------------------------------------------------------------------------------------|-----------|

**Table of Contents**

**ROBERT B.  
EVANS**

Mr. Evans was elected to the board of Targa Resources Corp. on March 1, 2016, and appointed Chairman of the Risk Management Committee and as a member of its Compensation Committee. Mr. Evans has served as a director of Targa Resources GP LLC, a subsidiary of Targa Resources Corp. and the general partner of Targa Resources Partners, LP since 2007. Mr. Evans has been on the Board of Directors of New Jersey Resources Corp. since 2009 and currently serves as a member of its Audit Committee and Executive Committee. Mr. Evans was also a member of the Board of Directors of Sprague Resources, LP from 2013 until October 1, 2018.

**Age: 70**

**Director Since: 2014**

**Independent: Yes**

Mr. Evans was President and Chief Executive Officer of Duke Energy Americas, a business unit of Duke Energy Corp., from January 2004 until his retirement in March 2006. He served as the transition executive for Energy Services, a business unit of Duke Energy, during 2003. Mr. Evans was president of Duke Energy Gas Transmission, a business unit of Duke Energy, beginning in 1998 until he was named President and Chief Executive Officer in 2002, a position in which he served until 2004. Prior to his employment at Duke Energy, Mr. Evans served as Vice President of Marketing and Regulatory Affairs for Texas Eastern Transmission and Algonquin Gas Transmission from 1996 to 1998.

Mr. Evans' extensive executive experience with the natural gas transmission business and wholesale natural gas trading business of Duke Energy and Targa Resources Partners provide him with valuable industry experience. Mr. Evans' service on board positions for other energy companies brings executive, corporate development, operations, finance, customer perspectives, safety, compliance, risk management and industry knowledge to the board. In light of Mr. Evans' extensive industry experience, and his numerous senior management positions where he gained extensive experience in corporate development, operations and financial matters, our Board has concluded that Mr. Evans should continue as a member of our Board.

**Committee Member:** Audit (Vice Chair), Corporate Governance, Executive Compensation

**Board skills and qualifications:**

Executive management

Corporate development

Operations

Accounting and financial expertise

Industry knowledge

Compliance

Risk management and oversight

Safety

|           |                                                                                        |
|-----------|----------------------------------------------------------------------------------------|
| <b>26</b> | <b>ONE Gas, Inc.</b> Notice of 2019 Annual Meeting of Shareholders and Proxy Statement |
|-----------|----------------------------------------------------------------------------------------|

**Table of Contents**

**JOHN W.  
GIBSON**

Mr. Gibson is the non-executive Chairman of the Board of ONE Gas. Mr. Gibson is also the non-executive Chairman of the Board of ONEOK. Mr. Gibson served as Chairman of the Board of ONEOK Partners, L.P., until its acquisition by ONEOK in June 2017. Mr. Gibson was instrumental in the separation of ONE Gas from ONEOK into a stand-alone, 100 percent regulated, publicly traded natural gas distribution company. In connection with the separation, Mr. Gibson retired as Chief Executive Officer of ONEOK and of ONEOK Partners GP, L.L.C. effective January 31, 2014. In April 2016, Mr. Gibson joined the board of Matrix Service Company.

**Position: Chairman of**

**the Board**

**Age: 66**

**Director Since: 2014**

**Independent: No**

Mr. Gibson joined ONEOK in 2000 as President of Energy, responsible for the company's natural gas gathering and processing, and transportation and storage businesses. In 2006, he was named President and Chief Operating Officer of ONEOK Partners, the master limited partnership that owns midstream natural gas and natural gas liquids businesses. He was elected Chief Executive Officer of ONEOK and President and Chief Executive Officer of ONEOK Partners in January 2007, becoming Chairman of ONEOK Partners later that year. In January 2010, he became President of ONEOK, and in May 2011, he became Chairman.

His career began in the energy industry in 1974 as a refinery engineer with Exxon Company, USA. He spent 18 years with Phillips Petroleum Company in a variety of domestic and international positions in its natural gas, natural gas liquids and exploration and production businesses. Prior to joining ONEOK, Mr. Gibson was Executive Vice President of Koch Energy, Inc., a subsidiary of Koch Industries, responsible for its interstate natural gas pipelines and gathering and processing businesses.

Mr. Gibson had direct responsibility for and extensive experience in strategic and financial planning, acquisitions and divestitures, operations, management supervision and development, and compliance. Over the course of his lengthy career in a variety of sectors of the oil and gas industry, Mr. Gibson has gained extensive management and operational experience and has demonstrated a strong track record of leadership, strategic vision and risk management. In light of Mr. Gibson's role as the top executive officer at ONEOK and ONEOK Partners and his extensive industry and managerial experience and knowledge, our Board of Directors has concluded that Mr. Gibson should continue as a member of our Board.

**Committee Member:** Executive (Chair)

**Board skills and qualifications:**

Executive management

Strategic and financial planning

Operations

Risk management and oversight

Industry knowledge

Compliance

Acquisitions and divestitures

Accounting and financial expertise

**ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement **27**

**Table of Contents**

**TRACY E.  
HART**

Ms. Hart currently serves as President and Chief Executive Officer and on the board of Tarlton Corporation, a St. Louis based general contracting and construction management firm. She is the first woman to become president of a major general contracting company in St. Louis, and one of a few nationally. Since joining the company in 1990, Tarlton has tripled its size and further solidified its market share.

**Age: 57**

**Director since: 2018**

**Independent: Yes**

Ms. Hart recently joined Midwest BankCentre's Legal Board of Directors and is also a member of the Board of Trustees for Webster University. She has served on the Executive Committee of the Board of Directors for the St. Louis Regional Chamber since 2002 and has chaired both the Business Services and Energy & Environment committees. Ms. Hart also serves on the Board of Trustees at St. Louis Children's Hospital, having recently chaired the Community Benefit Committee. She was also a Commissioner of the St. Louis Science Center where she served as the Facilities Committee Chairman and Chairman of the Finance Committee. Ms. Hart served on the board of The Municipal Theatre Association of St. Louis and served as the secretary and on the Executive Committee.

In 2008, Ms. Hart was elected the first woman chairperson of the Associated General Contractors of St. Louis, having served on the board since 1996. She also is the first woman to be named chairperson of the AGC Natural Quality in Construction Committee. Ms. Hart is active in the community and has received much recognition as a successful business leader including being awarded the University of Missouri-St. Louis Trailblazer Award for her accomplishments.

Ms. Hart's qualifications to serve on our Board of Directors includes her leadership positions and her experience in executive management, finance, operations and risk management. In light of Ms. Hart's extensive executive managerial experience and her leadership skills, our Board of Directors has concluded that Ms. Hart should continue as a member of our Board.

**Committee Member:** Audit, Corporate Governance, Executive Compensation

**Board skills and qualifications:**

Executive management

Risk management and oversight

Operations

Strategic and financial planning



Construction management

Accounting and financial expertise

**28**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

**MICHAEL G. HUTCHINSON**

**Age:** 63

**Director Since:** 2014

**Independent:** Yes

Mr. Hutchinson has served on the board of Westmoreland Coal Company since 2012 and in November 2017 became its interim Chief Executive Officer. He is also a member of its Executive Committee. In 2015, Mr. Hutchinson joined the board of ONEOK Partners GP, L.L.C., the general partner of ONEOK Partners, L.P., and served as vice chair of its Audit Committee until the acquisition of ONEOK Partners, L.P. by ONEOK, Inc. in June 2017. Mr. Hutchinson served on the board of CoBiz Financial, Inc. from May 2017 until its acquisition by Bank of Oklahoma in September 2018.

Westmoreland Coal Company filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on October 9, 2018, in the U.S. Bankruptcy Court for the Southern District of Texas, Houston Division.

Mr. Hutchinson retired as a partner from Deloitte & Touche in 2012. His Deloitte career spanned nearly 35 years, leading the energy and natural resources practice in Colorado for more than 10 years, while at the same time managing more than 150 professionals in the Denver audit and enterprise risk management practice.

Mr. Hutchinson has substantial expertise in accounting and finance matters gained during his experience in public accounting. He served as the lead audit partner on many of the firm's largest clients in Denver from 1989 until his retirement.

Mr. Hutchinson's qualifications include his experience with accounting principles, financial controls and evaluating financial statements of public companies in the energy sector, particularly from an auditor's perspective. As a result of his experience, Mr. Hutchinson is qualified to analyze the various financial and operational aspects of our company.

In light of Mr. Hutchinson's extensive experience with accounting principles, financial controls and evaluating financial statements of public companies in the energy sector and his ability to analyze the various financial and operational aspects of our company, our Board has concluded that Mr. Hutchinson should continue to serve as a member of our Board.

**Committee Member:** Audit (Chair), Corporate Governance (Vice Chair), Executive Compensation, Executive

**Board skills and qualifications:**

Accounting and financial expertise

Financial and operational analysis

Industry knowledge

Public accounting

Executive management

|                                                                                        |           |
|----------------------------------------------------------------------------------------|-----------|
| <b>ONE Gas, Inc.</b> Notice of 2019 Annual Meeting of Shareholders and Proxy Statement | <b>29</b> |
|----------------------------------------------------------------------------------------|-----------|

**Table of Contents**

**PATTY L.  
MOORE**

Ms. Moore currently serves as the non-executive Chairman of the Board of Red Robin Gourmet Burgers (NASDAQ: RRGB). Since 2002, Ms. Moore has served on the board of ONEOK and is the Chair of its Executive Compensation Committee. Ms. Moore also serves as a director of privately-held QuikTrip Corporation. In addition, Ms. Moore is a business strategy consultant, speaker and the author of *Confessions from the Corner Office*, a book on leadership instincts, published by Wiley & Sons in 2007.

**Age: 61**

**Director Since: 2014**

**Independent: Yes**

Ms. Moore served on the board of Sonic Corp. from 2000 through January 2006 and was the President of Sonic from January 2002 to November 2004. She held numerous senior management positions during her 12 years at Sonic, including Executive Vice President, Senior Vice President-Marketing and Brand Development and Vice President-Marketing. Ms. Moore has extensive senior management, marketing, business strategy, brand development and corporate governance experience as a result of her service at Red Robin, ONEOK, Inc. and Sonic, her service on other boards and her consulting career. In her role as President of Sonic Corp., Ms. Moore was responsible for company and franchise operations, purchasing and distribution, marketing and brand development for the 3,000 unit chain with over \$3 billion in system-wide sales. As a business strategy consultant and as a board member, Ms. Moore has extensive experience in leadership, management development, strategic planning and executive compensation. Ms. Moore also has extensive experience as a member of the board of numerous non-profit organizations, including serving as Chairman of the Board of the National Arthritis Foundation. Ms. Moore is a National Association of Corporate Directors (NACD) Board Leadership Fellow and was named to the NACD 2017 Directorship 100 List. In light of Ms. Moore's extensive executive management, corporate governance and compensation experience and her leadership skills, our Board of Directors has concluded that Ms. Moore should continue as a member of our Board.

**Committee Member:** Executive Compensation (Chair), Corporate Governance, Audit, Executive

**Board skills and qualifications:**

Executive management

Marketing

Corporate governance

Strategic and financial planning

Executive compensation

|           |                                                                                        |
|-----------|----------------------------------------------------------------------------------------|
| <b>30</b> | <b>ONE Gas, Inc.</b> Notice of 2019 Annual Meeting of Shareholders and Proxy Statement |
|-----------|----------------------------------------------------------------------------------------|

**Table of Contents**

**PIERCE H.  
NORTON II**

Mr. Norton is President and Chief Executive Officer of ONE Gas.

**Position:**  
**Management Director**

Prior to the separation, Mr. Norton served as Executive Vice President and Chief Operating Officer of ONEOK and ONEOK Partners. Before that, Mr. Norton was President of the ONEOK Distribution Companies Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service. Also, while at ONEOK, he held the position of Executive Vice President of Natural Gas, which included responsibility for all natural gas pipelines and the natural gas gathering and processing businesses within ONEOK Partners.

**Age:** 59

**Director Since:** 2014

**Independent:** No

Mr. Norton began his natural gas industry career in 1982 at Delhi Gas Pipeline, a subsidiary of Texas Oil and Gas Corporation. He later worked for American Oil and Gas with operational responsibilities for natural gas gathering and processing, and for intrastate and interstate pipelines. Mr. Norton then worked for KN Energy as Vice President and General Manager of the Heartland Region, before moving to Bear Paw Energy as Vice President of Business Development. In 2002, he was named President of Bear Paw Energy (a subsidiary of Northern Border Partners at the time) now ONEOK Rockies Midstream (a subsidiary of ONEOK Partners).

Mr. Norton is a member of the American Gas Association's board of directors and served as its 2017 Chairman. He currently serves as a board member of the Tulsa Community College Foundation, the Tulsa Community Foundation and the Oklahoma Center for Community and Justice. He is a past board member of the Interstate Natural Gas Association of America, the Texas Pipeline Association, the North Dakota Petroleum Council and the Western Energy Alliance, formerly known as the Independent Petroleum Association of Mountain States. He also is a graduate of Harvard Business School's Advanced Management Program.

Mr. Norton has served in a variety of roles of continually increasing responsibility at ONEOK and ONEOK Partners from November 2004 to January 2014. In these roles, Mr. Norton has had direct responsibility for and extensive experience in strategic and financial planning, acquisitions and divestitures, operations, management supervision and development, and compliance. Mr. Norton has significant experience in assessing acquisition opportunities and in structuring, financing and completing merger and acquisition transactions. In addition, during the course of his lengthy career in a variety of sectors of the oil and gas industry, Mr. Norton gained extensive engineering management, compliance, safety, management and operational experience and has demonstrated a strong track record of leadership, strategic vision and risk management. In light of his lengthy career in a variety of sectors of the oil and gas industry, during which Mr. Norton has

gained extensive management and operational experience and has demonstrated a strong track record of leadership, strategic vision and risk management, our Board has concluded that Mr. Norton should continue to serve as a member of our Board.

**Committee Member:** Executive

**Board skills and qualifications:**

|                                    |                                  |
|------------------------------------|----------------------------------|
| Executive management               | Compliance                       |
| Operations                         | Strategic and financial planning |
| Industry knowledge                 | Acquisitions and divestitures    |
| Risk management and oversight      | Safety                           |
| Accounting and financial expertise | Engineering management           |

**ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement **31**

**Table of Contents****EDUARDO A.  
RODRIGUEZ****Position: Lead  
Independent  
Director****Age: 63****Director Since: 2014****Independent: Yes**

Mr. Rodriguez is a member of the ONEOK board and serves as Vice Chair of its Executive Compensation Committee and as Vice Chair of its Corporate Governance Committee and is former chair of its Audit Committee. Mr. Rodriguez is President of Strategic Communication Consulting Group in El Paso, Texas. Mr. Rodriguez previously served as Executive Vice President of Hunt Building Corporation, a privately held company engaged in construction and real estate development headquartered in El Paso, Texas. He also served as a member of the board of Hunt Building Corporation. Prior to his three years with Hunt Building Corporation, Mr. Rodriguez spent 20 years in the electric utility industry at El Paso Electric Company, a publicly traded, investor-owned utility, where he served in various senior-level executive positions, including General Counsel, Senior Vice President for Customer and Corporate Services, Executive Vice President and as Chief Operating Officer. Mr. Rodriguez is a licensed attorney in the states of Texas and New Mexico, and is admitted to the United States District Court for the Western District of Texas.

Mr. Rodriguez has had extensive senior management, operational, entrepreneurial and legal experience in a variety of industries as a result of his service at Strategic Communication Consulting Group, Hunt Building Corporation and El Paso Electric Company. Mr. Rodriguez has engaged in the practice of law for over 30 years. In addition to his extensive legal experience, Mr. Rodriguez's senior management positions have included responsibility for strategic and financial planning, corporate governance, regulatory compliance, customer service and safety matters. In these positions he has demonstrated a strong track record of achievement and sound judgment. In light of Mr. Rodriguez's extensive legal experience, and his numerous senior management positions where he gained extensive experience in strategic planning, corporate governance and regulatory compliance, our Board has concluded that Mr. Rodriguez should continue to serve as a member of our Board.

**Committee Member:** Corporate Governance (Chair), Audit, Executive Compensation, Executive

**Board skills and qualifications:**

Executive management

Strategic and financial planning

Corporate governance

Legal



Regulatory compliance

Industry knowledge

Accounting and financial expertise

**32**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

**DOUGLAS H.  
YAEGER**

Mr. Yaeger served as Chairman, President and Chief Executive Officer of The Laclede Group, Inc. (now known as Spire Inc.) and Laclede Gas Company from 1999 until his retirement on February 1, 2012.

After spending nearly 20 years in the interstate pipeline industry, including roles as Executive Vice President of Mississippi River Transmission Corporation and Executive Vice President of Arkla Energy Marketing Company, Mr. Yaeger joined Laclede in 1990 as Vice President Planning. He was elected Laclede's Senior Vice President Operations, Gas Supply and Technical Services in 1992. In 1995, Mr. Yaeger was elected Executive Vice President Operations and Marketing and subsequently in 1997 elected President and Chief Operating Officer and joined Laclede's board.

**Age: 70**

**Director since: 2014**

**Independent: Yes**

Mr. Yaeger served on the board and Executive Committee of the American Gas Association and is a past Chairman of its Audit Committee. He also served as Chairman of the Missouri Energy Development Association and the Southern Gas Association. Mr. Yaeger currently serves on the boards of FB Corporation and The Municipal Theatre Association of St. Louis.

Mr. Yaeger has extensive senior management experience in a variety of sectors in the oil and natural gas industry as a result of his service at Laclede where he demonstrated a strong track record of leadership and sound judgment. As a result of his experience, Mr. Yaeger is qualified to analyze the various financial and operational aspects of our company. In light of Mr. Yaeger's extensive industry, financial, compliance, safety, corporate governance, operating and compensation experience, our Board of Directors has concluded that Mr. Yaeger should continue as a member of our Board.

**Committee Member:** Executive Compensation (Vice Chair), Audit, Corporate Governance

**Board skills and qualifications:**

Executive management

Corporate governance

Operations

Executive compensation

Industry knowledge

Compliance

Accounting and financial expertise

Safety

**ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement

**33**



|                                   |           |           |
|-----------------------------------|-----------|-----------|
|                                   |           |           |
| Audit fees <sup>(1)</sup>         | \$1,124.5 | \$971.9   |
|                                   |           |           |
| Audit related fees <sup>(2)</sup> | \$6.4     | \$-       |
|                                   |           |           |
| Tax fees                          | \$-       | \$-       |
|                                   |           |           |
| All other fees <sup>(3)</sup>     | \$36.6    | \$35.3    |
|                                   |           |           |
| Total                             | \$1,167.5 | \$1,007.2 |

(1) Audit fees include audit services provided for the audits of the annual financial statements and internal controls as required by Section 404 of the Sarbanes-Oxley Act of 2002, and reviews of unaudited quarterly financial information and consents related to the Registration Statements filed with the SEC by us.

(2) Audit related fees include subscriptions to research software for technical accounting guidance.

(3) All other fees include fees for a professional education seminar for company personnel.

**AUDIT COMMITTEE POLICY ON SERVICES PROVIDED BY THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Consistent with SEC and NYSE policies regarding auditor independence, the Audit Committee has the responsibility for appointing, setting compensation for and overseeing the work of our independent auditor. In furtherance of this responsibility, the Audit Committee has established a policy with respect to the pre-approval of audit and permissible non-audit services provided by our independent auditor.

Prior to engagement of PricewaterhouseCoopers LLP as our independent auditor for the 2019 audit, a plan was submitted to and approved by the Audit Committee setting forth the audit services expected to be rendered during 2019. The plan included audit services which are comprised of work performed in the audit of our financial statements and to attest and report on our internal controls over financial reporting, as well as work that only the independent auditor can reasonably be expected to provide, including:

quarterly review of our unaudited financial statements;

comfort letters;

**34**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement

## **Table of Contents**

statutory audits;

performance of certain agreed-upon procedures;

attest services; and

consents and assistance with the review of documents filed with the SEC.

Audit fees are budgeted, and the Audit Committee requires the independent auditor and management to report actual fees versus budgeted fees periodically during the year by category of service.

The Audit Committee has adopted a policy that provides that fees for audit, audit related and tax services that are not included in the independent auditor's annual services plan, and for services for which fees are not determinable on an annual basis, are pre-approved if the fees for such services will not exceed \$75,000. In addition, the policy provides that the Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

## **2019 REPORT OF THE AUDIT COMMITTEE**

The purpose of the Audit Committee is to assist the Board with the oversight of the integrity of the company's financial statements and internal controls, the company's compliance with legal and regulatory requirements, the independence, qualifications and performance of the company's independent registered public accounting firm and the performance of the company's internal audit function. The Audit Committee's function is more fully described in its charter, which the Board has adopted. The charter is on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from the company's corporate secretary upon request. The Audit Committee reviews the charter on an annual basis. The Board annually reviews the definition of independence for audit committee members contained in the listing standards for the NYSE and applicable rules of the SEC, as well as our director independence guidelines, and has determined that each member of the Audit Committee is independent under those standards. In addition, the Board has determined that all members of the Audit Committee are financially literate, and six of the seven committee members are audit committee financial experts.

Management is responsible for the preparation, presentation and integrity of the company's financial statements, accounting and financial reporting principles, internal controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. The company's independent registered public accounting firm, PricewaterhouseCoopers LLP, is responsible for performing an independent audit of the company's consolidated financial statements and the company's internal control over financial reporting and expressing an opinion on the conformity of those financial statements with generally accepted accounting principles and on the effectiveness of the company's internal control over financial reporting.

In this context, the Audit Committee has met and held discussions with management and the company's independent registered public accounting firm, PricewaterhouseCoopers LLP, regarding the fair and complete presentation of the company's financial results and management's report on its assessment of the company's internal control over financial reporting. In addition, the Audit Committee reviews the quality of the company's significant accounting policies and presentations in the financial statements. The Audit Committee has discussed the most critical estimates and accounting policies applied by the company in its financial statements, as well as alternative treatments. The Audit

Committee has also reviewed both the internal and independent auditors' audit plans and subsequent findings. Management has represented to the Audit Committee that the company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditor.

The Audit Committee has also reviewed and discussed with both management and the independent registered public accounting firm, management's assessment of the company's internal control over financial reporting. In addition, the Audit Committee has discussed the independent auditor's report on the company's internal control over financial reporting. The Audit Committee has also discussed with the company's independent auditor the matters required to be discussed by Public Company Accounting Oversight Board (United States) Auditing Standard No. 1301, Communications with Audit Committees, and Rule 2-07 of the SEC's Regulation S-X (Communication with Audit Committees).

In addition, the Audit Committee has discussed with the independent registered public accounting firm, the firm's independence from the company and its management, including the matters in the written disclosures and the letter received from PricewaterhouseCoopers LLP as required by the applicable requirements of the Public Company Accounting Oversight Board (United States) regarding the independent accountant's communications with the Audit Committee concerning independence. While non-audit services provided by PricewaterhouseCoopers LLP were not significant in 2017 or 2018, and thus, did not impact the Audit Committee's determination of PricewaterhouseCoopers LLP's independence, the Audit Committee will also consider in the future whether the provision of non-audit services to the company by PricewaterhouseCoopers LLP is compatible with maintaining that firm's independence. The Audit Committee has concluded that the independent registered public accounting firm is independent from the company and its management. In considering the reappointment of PricewaterhouseCoopers LLP as the company's independent registered public accounting firm, the Audit Committee considered talent and experience on the audit engagement, the appropriateness of fees and the quality and candor of communications with the Audit Committee.



**Table of Contents**

The Audit Committee discussed with the company's internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with both the internal and independent auditors, with and without management present, to discuss the results of their examinations, the assessments of the company's internal control over financial reporting and the overall quality of the company's financial reporting.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board, and the Board approved, the inclusion of the audited financial statements of the company as of and for the year ended December 31, 2018, in the company's Annual Report on Form 10-K for the year ended December 31, 2018, for filing with the SEC.

Respectfully submitted by the members of the Audit Committee of the Board:

**Michael G. Hutchinson, Chair**

**Robert B. Evans, Vice Chair**

**Arcilia A. Acosta, Member**

**Tracy E. Hart, Member**

**Pattye L. Moore, Member**

**Eduardo A. Rodriguez, Member**

**Douglas H. Yaeger, Member**

**36 ONE Gas, Inc. Notice of 2019 Annual Meeting of Shareholders and Proxy Statement**

[Table of Contents](#)**STOCK OWNERSHIP****HOLDINGS OF MAJOR SHAREHOLDERS**

The following table sets forth the beneficial owners of 5 percent or more of our common stock known to us at March 1, 2019.

| Title of Class | Name and Address<br>of Beneficial Owner                                                 | Amount and<br>Nature of<br>Beneficial Ownership | Percent<br>of Class <sup>(5)</sup> |
|----------------|-----------------------------------------------------------------------------------------|-------------------------------------------------|------------------------------------|
| Common Stock   | BlackRock, Inc.<br><br>55 E. 52 <sup>nd</sup> Street<br><br>New York, NY 10055          | 6,267,260 <sup>(1)</sup>                        | 11.90% <sup>(1)</sup>              |
| Common Stock   | The Vanguard Group, Inc.<br><br>100 Vanguard Blvd.<br><br>Malvern, PA 19355             | 5,214,348 <sup>(2)</sup>                        | 9.92% <sup>(2)</sup>               |
| Common Stock   | T. Rowe Price Associates,<br>Inc.<br><br>100 E. Pratt Street<br><br>Baltimore, MD 21202 | 4,470,984 <sup>(3)</sup>                        | 8.50% <sup>(3)</sup>               |

|              |                                                    |                          |                      |
|--------------|----------------------------------------------------|--------------------------|----------------------|
| Common Stock | American Century<br>Investment Management,<br>Inc. | 2,856,575 <sup>(4)</sup> | 5.44% <sup>(4)</sup> |
|              | 4500 Main Street, 9 <sup>th</sup> Floor            |                          |                      |
|              | Kansas City, MO 64111                              |                          |                      |

(1) Based upon Schedule 13G filed with the SEC on January 31, 2019, in which BlackRock, Inc. reported that, as of December 31, 2018, BlackRock, Inc. beneficially owned in the aggregate 6,267,260 shares of our common stock. Of such shares, BlackRock, Inc. reported it had sole dispositive power with respect to 6,267,260 shares and sole voting power with respect to 6,139,792 shares.

(2) Based upon Schedule 13G filed with the SEC on February 11, 2019, in which The Vanguard Group, Inc. reported that, as of December 31, 2018, The Vanguard Group, Inc. directly and through its wholly-owned subsidiaries, Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., beneficially owned in the aggregate 5,214,348 shares of our common stock. Of such shares, The Vanguard Group, Inc. reported it had sole dispositive power with respect to 5,148,832 shares, shared dispositive power with respect to 65,516 shares, sole voting power with respect to 61,043 shares, and shared voting power with respect to 19,320 shares.

(3) Based upon Schedule 13G filed with the SEC on February 14, 2019, in which T. Rowe Price Associates, Inc. reported that as of December 31, 2018, T. Rowe Price Associates, Inc. beneficially owned in the aggregate 4,470,984 shares of our common stock. Of such shares, T. Rowe Price Associates, Inc. reported it had sole dispositive power with respect to 4,470,984 shares and sole voting power with respect to 985,947 shares.

(4) Based upon Schedule 13G filed with the SEC on February 11, 2019, in which American Century Investment Management, Inc., reported that, as of December 31, 2018, American Century Investment Management, Inc. directly and through its wholly-owned subsidiary, American Century Companies, Inc., American Century Capital Portfolios, Inc. controlled by the Stowers Institute for Medical Research, beneficially owned in the aggregate 2,856,575 shares of our common stock with respect to which American Century Investment Management, Inc. had sole voting power with respect to 2,715,018 shares, and sole dispositive power with respect to 2,856,575 shares.

(5) The percent of voting securities owned is based on the number of outstanding shares of our common stock on December 31, 2018.

[Table of Contents](#)**HOLDINGS OF OFFICERS AND DIRECTORS**

The following table sets forth the number of shares of our common stock beneficially owned as of March 1, 2019, by (1) each director and nominee for director, (2) each of the executive officers named in the Summary Compensation Table for 2018 under the caption Compensation Discussion and Analysis in this proxy statement, and (3) all directors and executive officers as a group.

| Name of Beneficial Owner | Shares of ONE Gas Common Stock Beneficially Owned <sup>(1)</sup> | ONE Gas Directors Deferred Compensation Plan Phantom Stock <sup>(2)</sup> | Total Shares of ONE Gas Common Stock Beneficially Owned Plus ONE Gas Directors Deferred Compensation Plan Phantom Stock | ONE Gas Percent of Class <sup>(3)</sup> |
|--------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Arcilia C. Acosta        | 2,277                                                            | 1,018                                                                     | 3,295                                                                                                                   | *                                       |
| Robert B. Evans          | 9,630                                                            | -                                                                         | 9,630                                                                                                                   | *                                       |
| John W. Gibson           | 267,672                                                          | 10,362                                                                    | 278,034                                                                                                                 | *                                       |
| Tracy E. Hart            | 719                                                              | 485                                                                       | 1,204                                                                                                                   | *                                       |
|                          | 9,330                                                            | -                                                                         | 9,330                                                                                                                   | *                                       |

Michael G. Hutchinson

|                |     |        |        |   |
|----------------|-----|--------|--------|---|
| Patty L. Moore | 500 | 32,945 | 33,445 | * |
|----------------|-----|--------|--------|---|

|                     |         |   |         |   |
|---------------------|---------|---|---------|---|
| Pierce H. Norton II | 223,628 | - | 223,628 | * |
|---------------------|---------|---|---------|---|

|                      |       |       |        |   |
|----------------------|-------|-------|--------|---|
| Eduardo A. Rodriguez | 8,746 | 1,331 | 10,077 | * |
|----------------------|-------|-------|--------|---|

|                   |        |   |        |   |
|-------------------|--------|---|--------|---|
| Douglas H. Yaeger | 19,630 | - | 19,630 | * |
|-------------------|--------|---|--------|---|

|                 |         |   |         |   |
|-----------------|---------|---|---------|---|
| Curtis L. Dinan | 126,430 | - | 126,430 | * |
|-----------------|---------|---|---------|---|

|                  |         |   |         |   |
|------------------|---------|---|---------|---|
| Caron A. Lawhorn | 125,117 | - | 125,117 | * |
|------------------|---------|---|---------|---|

|                     |        |   |        |   |
|---------------------|--------|---|--------|---|
| Robert S. McAnnally | 14,867 | - | 14,867 | * |
|---------------------|--------|---|--------|---|

|                     |        |   |        |   |
|---------------------|--------|---|--------|---|
| Joseph L. McCormick | 55,650 | - | 55,650 | * |
|---------------------|--------|---|--------|---|

|                                                 |         |        |         |   |
|-------------------------------------------------|---------|--------|---------|---|
| All directors and executive officers as a group | 882,191 | 46,141 | 928,332 | * |
|-------------------------------------------------|---------|--------|---------|---|

\* Less than 1 percent.

(1) Includes shares of common stock held by members of the family of the director or executive officer for which the director or executive officer has sole or shared voting or investment power, shares of common stock held in our Direct Stock Purchase and Dividend Reinvestment Plan, shares held through our 401(k) Plan, shares held through our Profit Sharing Plan and shares held through our Employee Stock Purchase Plan. There are no shares issuable pursuant to grants of RSUs or PSUs within 60 days of March 1, 2019.

**38**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

The following table sets forth for the persons indicated and the number of shares of our common stock that are held on the person's behalf by the trustee of our 401(k) Plan and our Profit Sharing Plan as of March 1, 2019.

| Executive Officer/Director | Stock Held     |                     |
|----------------------------|----------------|---------------------|
|                            | by 401(k) Plan | Profit-Sharing Plan |
| Robert B. Evans            | -              | -                   |
| John W. Gibson             | -              | -                   |
| Michael G. Hutchinson      | -              | -                   |
| Patty L. Moore             | -              | -                   |
| Pierce H. Norton II        | -              | -                   |
| Eduardo A. Rodriguez       | -              | -                   |

|                   |   |   |
|-------------------|---|---|
| Douglas H. Yaeger | - | - |
|-------------------|---|---|

|                 |       |   |
|-----------------|-------|---|
| Curtis L. Dinan | 5,040 | - |
|-----------------|-------|---|

|                  |       |   |
|------------------|-------|---|
| Caron A. Lawhorn | 1,100 | - |
|------------------|-------|---|

|                     |   |   |
|---------------------|---|---|
| Robert S. McAnnally | - | - |
|---------------------|---|---|

|                     |       |   |
|---------------------|-------|---|
| Joseph L. McCormick | 2,959 | - |
|---------------------|-------|---|

|                                                 |        |   |
|-------------------------------------------------|--------|---|
| All directors and executive officers as a group | 11,416 | - |
|-------------------------------------------------|--------|---|

(2) Represents shares of phantom stock credited to a director's account under our Deferred Compensation Plan for Non-Employee Directors. Each share of phantom stock is equal to one share of our common stock. Phantom stock has no voting or other shareholder rights, except that dividend equivalents are paid on phantom stock and reinvested in additional shares of phantom stock based on the average of the high and low trading prices of our common stock on the NYSE on the date the dividend equivalent was paid. Shares of phantom stock do not give the holder beneficial ownership of any shares of our common stock because they do not give such holder the power to vote or dispose of any shares of our common stock.



(3) The percent of our voting securities owned is based on our outstanding shares of common stock on March 1, 2019.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act, requires our directors, executive officers and beneficial owners of 10 percent or more of our common stock to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of our common stock. Based solely on a review of the copies of reports furnished to us and representations that no other reports were required, we believe that all of our directors, executive officers, and 10 percent or more shareholders during the fiscal year ended December 31, 2018, complied on a timely basis with all applicable filing requirements under Section 16(a) of the Exchange Act, except one Form 4, reporting a purchase of shares by Ms. Acosta, was filed two business days late.

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

The Compensation Discussion and Analysis contains a detailed description of our executive compensation philosophy, the elements of compensation that we provide to our NEOs.

Our NEOs for the fiscal year ended December 31, 2018, are as follows:

| Name                | Title                                                          |
|---------------------|----------------------------------------------------------------|
| Pierce H. Norton II | President and Chief Executive Officer                          |
| Curtis L. Dinan     | Senior Vice President and Chief Financial Officer              |
| Caron A. Lawhorn    | Senior Vice President, Commercial                              |
| Robert S. McAnnally | Senior Vice President, Operations                              |
| Joseph L. McCormick | Senior Vice President, General Counsel and Assistant Secretary |

**EXECUTIVE SUMMARY**

The purpose of the Compensation Discussion and Analysis is to describe the process and analysis that the Executive Compensation Committee uses in making compensation decisions for the NEOs, the components of compensation used and the rationale behind the decisions that were made. Our leadership team is committed to improving business results while providing value to both our customers and stakeholders as reflected in the performance highlights below.

## 2018 Performance Highlights

In 2018, we generated net income of \$172 million, or \$3.25 per diluted share compared with 2017 net income of \$163 million, or \$3.08 per diluted share. 2018 operating income was \$288 million, compared to operating income of \$317 million in 2017.

We paid dividends totaling \$1.84 per share, totaling \$97 million.

The market price of our common stock was \$79.60 per share at December 31, 2018, an increase of approximately 137 percent from the closing price of \$33.63 on February 3, 2014, our first day of regular way trading and an increase of 8.7 percent over last year's closing price of \$73.26 at December 29, 2017.

We generated TSR of approximately 167 percent from February 3, 2014, through December 31, 2018. This return exceeded the returns over the same period of eight of the nine companies in our peer group, the S&P MidCap 400 Index (59.66 percent), the S&P MidCap Utilities Index (57.40 percent) and the Dow Jones Industrial Average (77.26 percent).

Driving safely, personal injury prevention and public safety continue to be a priority at ONE Gas. We achieved a 7 percent improvement in our DART rate as compared to last year and a 3 percent improvement in our PVIR.

## Table of Contents

Our executive compensation programs have features designed to align the interests of executives with stakeholders. The following chart provides an overview of our compensation programs:

| What We Do                                                                                                                                                                                 | What We Don't Do                                                                                           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Emphasize a pay-for-performance focus where the majority of executive compensation is performance based                                                                                    | <ul style="list-style-type: none"> <li>Enter into employment agreements with executive officers</li> </ul> |
| Grant an annual incentive that is based on financial, operational and individual performance                                                                                               | <ul style="list-style-type: none"> <li>Provide excise tax gross-ups upon a CIC</li> </ul>                  |
| Grant 80 percent of LTI in performance-vesting equity to incent the accomplishment of long-term sustainable business goals while aligning the interests of our executives and stakeholders | <ul style="list-style-type: none"> <li>Provide tax gross-ups on other compensation or benefits</li> </ul>  |
| Engage an independent executive compensation consultant                                                                                                                                    |                                                                                                            |

û Pay dividends on unearned restricted or performance shares

Maintain a clawback policy to recoup incentive-based compensation awards under certain circumstances

û Encourage excessive or imprudent risk taking

Enforce share ownership guidelines for executives and independent directors to ensure dedication to the company's accomplishment of long-term sustainable business goals and to align the interests of our executives, independent directors and stakeholders

û Offer any perquisites to executive officers

û Offer incentive programs that have uncapped individual performance or company performance modifiers

Prohibit executives and independent directors from hedging or pledging activities, subject to an exception for CEO approval pledges described in greater detail below

û Allow unlimited short-term incentive payouts

Restrict CIC cash benefits to double-trigger vesting

û Allow hedging or pledging of Company stock

Restrict CIC acceleration of equity vesting to double-trigger vesting

Review tally sheets for NEOs prior to making compensation decisions

## Our Philosophy

We provide executive compensation programs designed to attract, engage, motivate, reward and retain highly effective key executives who drive our success and who are leaders in our industry. We pay for performance in order to align the long-term interests of our executive officers with those of our stakeholders while also rewarding behaviors that drive collaboration, execution, teamwork, and safety within our culture.

A significant part of each executive's pay is at-risk in the form of performance-based STI and LTI awards. A NEO's compensation package is generally comprised of the following elements:

Base salary,

Annual STI cash awards, and

LTI awards including:

PSUs, and

RSUs.

We believe that our executive compensation programs provide our executive officers with a balanced pay mix of market-competitive base salaries, STI awards tied to achieving financial and operational targets, and PSU awards promoting long-term sustainable business results by being tied to relative TSR over a three-year performance period.



## **Table of Contents**

The Committee evaluates compensation data while considering our compensation philosophy in determining the allocation of these elements to NEOs. For 2018, 77 percent of the CEO's total target compensation was at risk and an average of 63 percent was at risk for the other NEOs.

We generally seek to pay executives within a competitive range of the market median of target total compensation. However, we may target pay opportunities above or below the median for various reasons, including but not limited to experience, company performance, sustained individual performance and internal pay equity.

## **HOW WE DETERMINE PAY**

### **Role of the Executive Compensation Committee and the Board of Directors**

The Committee, which is comprised of independent directors, reviews our executive compensation programs, market benchmark data and the executive officer compensation packages each year. It approves individual base salaries, STI awards and LTI grants for each NEO. The Committee also certifies the achievement of STI and LTI performance levels for the respective performance periods, and approves the current year's STI program, including individual target opportunities.

In making individual compensation decisions, the Committee reviews the recommendations from the CEO with respect to all NEOs other than himself. The Committee reviews and discusses these recommendations in executive session with its independent executive compensation consultant and reaches its own decision with respect to the compensation of the CEO and the other NEOs. The Committee then submits its compensation decisions with respect to the CEO and the other NEOs to the Board for ratification.

### **Role of the 2018 Shareholder Advisory Vote to Approve 2017 Executive Compensation**

In 2018, we received a favorable advisory vote on our executive compensation, with 96.7 percent of the company's shares voting in favor of the executive compensation. The Committee therefore determined shareholders were supportive of the company's pay programs and there was not a need to materially change the executive compensation practices. The Committee will continue to monitor compensation practices, future advisory votes and other shareholder feedback to align executive compensation with the interests of the company and our stakeholders.

### **Role of the Independent Executive Compensation Consultant**

The Committee engages an independent executive compensation consultant, Meridian, to advise on matters related to executive and non-employee director compensation. This includes assessing the peer group and competitive market data, providing advice on the company's STI and LTI programs, informing the Committee of emerging practices, trends and changes in regulatory and corporate governance matters and reviewing the executive and non-employee director compensation programs and policies. The Committee regularly meets with its independent executive compensation consultant with and without management and has the sole authority to approve its fees and terms of engagement. Meridian reports directly to the Committee and does not provide any services or advice to management, although it may meet from time to time with members of management as necessary to support its work on behalf of the Committee.



As required by the Committee's charter, the Committee annually reviews the independence of its executive compensation consultant, considering the factors set forth by the SEC and in the NYSE listing standards. For 2018, the Committee found that Meridian continues to meet the SEC rules and NYSE listing standards for independence.

**42**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement

---

## **Table of Contents**

### **Role of Executive Officers and Management**

Annually, our executive officers present the year's strategic and financial plan to the Board for approval. Based on the approved plan, the company's executive officers recommend the measures, weighting, targets and the threshold/maximum performance goals for the annual STI plan. Management also advises the Committee of their assessment of the challenges facing the company, economic trends related to the business and the overall economy. Following the end of each fiscal year, the CEO reviews the company's actual performance relative to the approved STI goals and the performance of each executive, excluding himself, and recommends an STI award to the Committee for each executive officer, including the NEOs, other than himself. The CEO also makes recommendations for base salary adjustments, STI target opportunities and LTI awards for the executive officers, including the NEOs, other than himself.

The Company's Compensation department supports both the Committee and management by providing analysis and research regarding our executive compensation programs.

### **The Use of Tally Sheets**

When making compensation decisions, the Committee reviews comprehensive tally sheets for the executive officers including the NEOs. The tally sheets, prepared by management and reviewed by the Committee's independent executive compensation consultant, list components of the NEOs' compensation such that the Committee can review the total compensation of the NEOs under different scenarios and so that the Committee can consider wealth accumulation as part of its due diligence in considering and approving compensation.

### **MARKET BENCHMARKING**

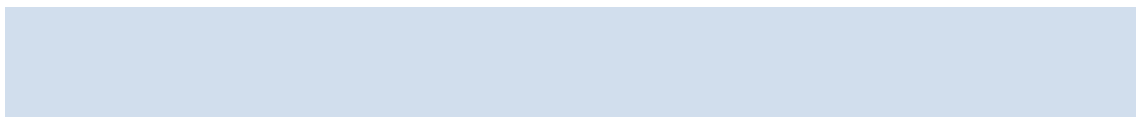
The Committee's independent executive compensation consultant provides a competitive assessment of our executive compensation programs and the compensation levels for our executive officers, including the NEOs, using publicly available information from our peer group. The assessment includes information on annual base salaries, STI targets, LTI awards and total compensation opportunities.

With input from its independent executive compensation consultant, the Committee considers the following selection criteria to identify the peer group:

Primary focus of the company is a natural gas utility company; and

Similar character in areas such as revenue, market capitalization and number of customers.

After considering this criteria and recommendations from both its independent executive compensation consultant and management, the companies listed below were chosen by the Committee to comprise the 2018 peer group. The Committee believes referencing these peers is appropriate when reviewing our executive compensation programs.



|                                  |                                            |
|----------------------------------|--------------------------------------------|
| Alliant Energy Corporation       | Pinnacle West Capital Corporation          |
| Atmos Energy Corporation         | PNM Resources Inc.                         |
| Avista Corporation               | Portland General Electric Company          |
| El Paso Electric Company         | South Jersey Industries, Inc.              |
| IDACORP Inc.                     | Southwest Gas Corporation                  |
| New Jersey Resources Corporation | Spire, Inc. (formerly Laclede Group, Inc.) |
| Northwest Natural Gas Company    | Vectren Corporation                        |
| Northwestern Corporation         | <del>WGL Holdings, Inc.</del> <sup>1</sup> |

<sup>1</sup> WGL Holdings, Inc. was eliminated from the peer group upon its acquisition by AltaGas Ltd. on July 6, 2018.

The Committee evaluates the composition of the peer group at least annually and makes appropriate changes, as necessary. For 2018, the benchmarking peer group remains unchanged from the 2017 peer group with the exception of

the WGL Holdings, Inc. acquisition.

The Committee assessed the market competitiveness of our NEOs' compensation based on the data provided by its independent executive compensation consultant. This data includes the market benchmarks at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles for consideration for the following compensation components:

Base salary;

STI target;

Target total cash compensation (base salary + target STI);

Target annualized grant date value of LTI awards; and

Target total direct compensation (target total cash compensation + LTI awards).

**Table of Contents****ELEMENTS OF OUR EXECUTIVE COMPENSATION PROGRAM FOR 2018**

This section describes each component of compensation we pay to our executives. Information regarding how compensation is determined is found in the section [How We Determine Pay](#) set forth above.

| Compensation Element | Objective                                                                                                                                                                                                                                                                                   | Type of Compensation                                                                                           |
|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Base Salary          | Provides continuous income to appropriately motivate and retain our executives based on a competitive market analysis and consideration for experience, performance and internal equity.                                                                                                    | Annual cash compensation                                                                                       |
| STI Awards           | Aligns executives' efforts with the interests of our stakeholders by providing a financial cash incentive tied directly to key measures of the company's financial and operational performance aligned with our long-term strategy. Awards can be modified based on individual performance. | Annual cash compensation, earned based on performance against pre-established goals and individual performance |
| RSUs                 | Promotes the alignment of our executives' interests with those of our stakeholders, supports long-term equity ownership and promotes retention through the service-vesting requirement.                                                                                                     | Time-based RSUs that cliff vest in three years                                                                 |
| PSUs                 | Provides performance incentives to our executives to align their interests and performance with our stakeholders by rewarding sustained share price performance and promotes retention through the service-vesting requirement.                                                             | Performance-based stock units that vest based on relative TSR over a three-year period                         |

|            |                                                                                                               |                                                                                                                                     |
|------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Benefits   | Provides a safety net to protect against financial burdens that can result from illness, disability or death. | Includes medical, dental, disability, life insurance and accidental death which are generally the same as the broader employee base |
| Retirement | Provide for basic retirement needs. Attracts and retains executives.                                          | Can include 401(k), pension plans, NQDC plan, SERPs and/or Profit Sharing                                                           |

## 2018 PERFORMANCE AND COMPENSATION DECISIONS

### Base Salary

The majority of compensation delivered to our NEOs is based on performance. Base salaries for our NEOs are set at competitive levels that enable the company to attract, engage, motivate, reward and retain our leadership team. For the CEO, the base salary component is equal to his STI target opportunity. This balanced approach aligns with our pay-for-performance compensation philosophy. The Committee considered the results of the market benchmarking analysis, the CEO's recommendation, each NEO's individual experience and sustained performance, internal equity and the compensation practices of our peer group to approve the following base salaries for 2018:

| Name             | Base Salary<br>as of<br>January 1, 2017 | Base Salary<br>effective<br>January 1, 2018 | Dollar Increase | Percentage<br>Increase |
|------------------|-----------------------------------------|---------------------------------------------|-----------------|------------------------|
| Pierce H. Norton | \$720,000                               | \$775,000                                   | \$ 55,000       | 8%                     |
| Curtis L. Dinan  | \$435,000                               | \$435,000                                   | \$ 0            | 0%                     |

|                  |           |           |          |    |
|------------------|-----------|-----------|----------|----|
| Caron A. Lawhorn | \$360,000 | \$365,000 | \$ 5,000 | 1% |
|------------------|-----------|-----------|----------|----|

|                     |           |           |           |    |
|---------------------|-----------|-----------|-----------|----|
| Robert S. McAnnally | \$350,000 | \$365,000 | \$ 15,000 | 4% |
|---------------------|-----------|-----------|-----------|----|

|                     |           |           |           |  |
|---------------------|-----------|-----------|-----------|--|
| Joseph L. McCormick | \$325,000 | \$340,000 | \$ 15,000 |  |
|---------------------|-----------|-----------|-----------|--|

**44**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

Salary increases are based on performance and bring base salaries closer to the market positioning identified by the independent executive compensation consultant. The base salary for Mr. Dinan remained the same as 2017 due to market positioning.

**Short-Term Incentive**

Our 2018 STI awards were based on four measures one financial measure and three operational measures focused on safety:

| Measure     | Weighting | Definition                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EPS</b>  | 70%       | Based on net income as determined in accordance with generally accepted accounting principles, divided by the daily weighted-average number of common shares outstanding for the year ended December 31, 2018, plus fully vested shares that have not been issued and unvested stock awards granted under our compensation plans, but only to the extent the awards dilute earnings per share. |
| <b>TRIR</b> | 10%       | The number of OSHA incidents times 200,000 work hours divided by the sum of actual hours worked.                                                                                                                                                                                                                                                                                               |
| <b>DART</b> | 10%       | The sum of OSHA incidents resulting in missed workdays, health-related work restrictions and job transfers times 200,000 work-hours divided by the sum of actual hours worked.                                                                                                                                                                                                                 |
| <b>PVIR</b> | 10%       | The number of preventable vehicle incidents per 1,000,000 miles driven.                                                                                                                                                                                                                                                                                                                        |

We believe that EPS is an appropriate measure to be used in determining short-term incentive compensation since it is:



transparent and reflects the growth and performance of our operations;

a measure that better aligns the interests of our NEOs with the interests of our stakeholders;

widely used by financial analysts and the investing public; and

used by a majority of our peer companies.

Since EPS is a reflection of our financial performance, the Committee has placed a weighting of 70 percent of the overall award on this measure. Safety is one of the company's core values. Safe driving, personal injury prevention, public safety and reducing the severity of injuries are priorities. The Committee reinforces the importance of safety by including three measures in the STI. In addition to these four measures, there is an individual performance modifier ranging from 0-125 percent used to recognize each executive's individual performance against pre-established goals and objectives that support the company's continued success such as:

strategic planning and execution;

succession planning with a focus on developing, retaining and attracting a high performing workforce;

communication (internal and external); and

industry and community leadership.

Each NEO has a target opportunity that is established at the beginning of each performance year. Annually, the Committee reviews the STI target opportunities for each NEO. The STI target opportunity for the CEO was increased to 100 percent of base salary in 2018 to align with market. The other NEOs remained unchanged as compared to 2017.

| 2018 STI             |        |
|----------------------|--------|
| Target Opportunity   |        |
| a Percentage of Base |        |
| Name                 | Salary |
| Pierce H. Norton II  | 100%   |

Curtis L. Dinan 65%

|                  |     |
|------------------|-----|
| Caron A. Lawhorn | 65% |
|------------------|-----|

|                     |     |
|---------------------|-----|
| Robert S. McAnnally | 65% |
|---------------------|-----|

|                     |     |
|---------------------|-----|
| Joseph L. McCormick | 55% |
|---------------------|-----|

For 2018, NEOs could earn up to 150 percent of their STI target opportunity prior to individual performance modifiers if maximum company performance goals are achieved. If threshold company performance goals are achieved, the threshold payout is 50 percent of each NEOs target opportunity. After achievement of the threshold award for any measure, the actual award percentage is interpolated for performance between threshold and target or target and maximum. No annual incentive is earned if the company's performance is below the threshold goal.

**Table of Contents**

Individual awards under our STI plan are calculated using the following formula:

|                               |   |                           |   |                                 |   |                                    |
|-------------------------------|---|---------------------------|---|---------------------------------|---|------------------------------------|
| Base Salary<br>earned in 2018 | x | STI Target<br>Opportunity | x | Company<br>Performance Modifier | x | Individual<br>Performance Modifier |
|-------------------------------|---|---------------------------|---|---------------------------------|---|------------------------------------|

The Committee engages in a rigorous process with its independent executive compensation consultant and management to determine the annual STI measures and potential awards. At its February 2018 meeting, the Committee established the threshold, target and maximum performance goals for the 2018 STI measures. The EPS target was set based on the 2018 strategic and financial plan with consideration given to the company's 2017 EPS performance. For the operational goals, TRIR was set at 7 percent over 2017. The DART target was set at 5 percent improvement from our 2017 performance. The PVIR target was set at a 5 percent improvement over 2017.

| Criteria | 2018 Plan                       |                               |                                |        | 2018 Actual Results                |                                     |                                    |                                                            |
|----------|---------------------------------|-------------------------------|--------------------------------|--------|------------------------------------|-------------------------------------|------------------------------------|------------------------------------------------------------|
|          | Threshold<br>(50% of<br>Target) | Target<br>(100% of<br>Target) | Maximum<br>(150% of<br>Target) | Weight | Percentage<br>Payable at<br>Target | Percentage<br>Payable at<br>Maximum | Results at<br>December 31,<br>2018 | Payout Percent<br>Based on<br>December 31,<br>2018 Results |
| EPS      | \$2.89                          | \$3.08                        | \$3.27                         | 70%    | 70%                                | 105%                                | \$3.25                             | 100.9%                                                     |
| TRIR     | 1.22                            | 1.11                          | 1.00                           | 10%    | 10%                                | 15%                                 | 1.26                               | -                                                          |
| DART     | 0.68                            | 0.44                          | 0.40                           | 10%    | 10%                                | 15%                                 | 0.43                               | 11.3%                                                      |
| PVIR     | 1.92                            | 1.71                          | 1.62                           | 10%    | 10%                                | 15%                                 | 1.75                               | 9.0%                                                       |

Company  
Performance  
Modifier:

121.2%

For each performance measure in the table above, no incentive amount would be paid for that measure unless the company's actual result exceeds the established threshold levels. If the company's actual results are below the threshold level, the percentage payable for that measure is zero. If our actual results are between the stated performance levels, the percentage payable is interpolated between threshold and target or target and maximum. The CEO evaluated the 2018 individual performance of each NEO through our annual performance assessment process. The CEO's recommended individual performance modifiers for the NEOs are reviewed and approved, if appropriate by the Committee. The Committee, together with the Corporate Governance Committee, evaluates the CEO's performance against his pre-established goals and objectives to determine the individual performance modifier for the CEO. The Committee determined that the CEO had met the 2018 goals and assigned a rating of 100 percent for his individual performance. Individual performance modifiers for the other NEOs ranged from 105 percent to 107 percent.

Below are the STI awards, reflecting the actual performance against target and the individual performance modifiers applied for each of our NEOs for the 2018 plan year that were paid in March 2019:

| Name                | Base Salary<br>earned in<br>2018 | Company Individual |                         |                         |              |
|---------------------|----------------------------------|--------------------|-------------------------|-------------------------|--------------|
|                     |                                  | STI<br>Target      | Performance<br>Modifier | Performance<br>Modifier | STI<br>Award |
| Pierce H. Norton II | \$775,000                        | 100%               | 121.2%                  | 100%                    | \$939,300    |
| Curtis L. Dinan     | \$435,000                        | 65%                | 121.2%                  | 106%                    | \$363,255    |
| Caron A. Lawhorn    | \$365,000                        | 65%                | 121.2%                  | 105%                    | \$301,924    |
| Robert S. McAnnally | \$365,000                        | 65%                | 121.2%                  | 105%                    | \$301,924    |
| Joseph L. McCormick | \$340,000                        | 55%                | 121.2%                  | 107%                    | \$242,509    |

## Long-Term Incentives

During 2018, we granted LTI awards to our NEOs under our ECP consisting of PSUs and RSUs. The grants were awarded as 80 percent PSUs and 20 percent RSUs. The Committee believes that this weighting further strengthens executive officers' alignment with our stakeholders by only vesting PSUs based on how well the company performs compared to its peer group.

## 46 ONE Gas, Inc. Notice of 2019 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

The overall grant values were determined based on the market benchmarking data provided by our independent executive compensation consultant and the individual performance of each NEO, among other factors.

| Name                | Value of<br>PSUs | Value<br>of RSUs | Value of<br>2018 Equity<br>Grant* |
|---------------------|------------------|------------------|-----------------------------------|
| Pierce H. Norton II | \$1,400,007      | \$349,985        | \$1,749,992                       |
| Curtis L. Dinan     | \$ 340,032       | \$ 85,008        | \$ 425,040                        |
| Caron A. Lawhorn    | \$ 319,990       | \$ 80,032        | \$ 400,022                        |
| Robert S. McAnnally | \$ 319,990       | \$ 80,032        | \$ 400,022                        |
| Joseph L. McCormick | \$ 300,019       | \$ 74,987        | \$ 375,003                        |

\* Represents the grant date value approved by the Committee. The values displayed in the Summary Compensation Table represent the accounting value of the PSUs.

Based on compensation data reviewed by the Committee, the 2018 LTI awards for Messrs. Norton, Dinan, McAnnally, and McCormick were increased based on performance and to better align with their market positioning for LTI and target total compensation.

*Performance Stock Units*

PSUs are payable in common stock based on our TSR relative to the peer group approved by the Committee as shown below over a three-year performance period. In addition to encouraging retention, we believe that PSUs provide incentives to our executives that align their interests and performance with those of our stakeholders through increased share ownership. The actual payout of the PSUs can range from 0 percent to 200 percent of the units originally awarded, as set by the Committee, depending upon the company's relative three-year TSR. This structure is aligned with industry practices.

TSR is the total return on a company's stock over the performance period with dividends reinvested into company stock as they are accrued. The number of PSUs awarded at the time of vesting is based on our TSR positioning as a percentage basis at the end of the three-year performance period as set forth in the following chart. If the actual TSR percentile rank falls between the stated percentile ranks set forth in the chart, the payout percentage is interpolated between the percentile rank above and below the actual percentile rank. No PSUs are earned if our TSR ranking at the end of the performance period is below the 25<sup>th</sup> percentile.

| Percentile Rank           | Payout (as a % of Target) |
|---------------------------|---------------------------|
| 90th percentile and above | 200%                      |
| 75th percentile           | 150%                      |
| 50th percentile           | 100%                      |
| 25th percentile           | 50%                       |
| Below the 25th percentile | 0%                        |

During the three-year performance period, NEOs have their accounts credited with an amount equal to all ordinary cash dividends that would have been paid as if shares were issued on the grant date. The dividend equivalents are deemed to be reinvested. If a NEO forfeits any PSUs, the dividend equivalents are also forfeited. Dividend equivalents are also applied to the number of PSUs earned based on the company's performance factor.

The Committee approved the peer group and the addition of CenterPoint Energy and Chesapeake Utilities for the 2018 PSU grant. These companies are like ONE Gas in having:

Notable gas utility operations;

Similarly sized revenue, market capitalization, assets and number of customers;

Strong trading correlations with ONE Gas; and

Similar peer companies.



**Table of Contents**

The peer group for the 2018 PSUs is as follows:

|                                  |                                            |
|----------------------------------|--------------------------------------------|
| Alliant Energy Corporation       | NiSource, Inc.                             |
| Atmos Energy Corporation         | Northwest Natural Gas Company              |
| Avista Corporation               | NorthWestern Corporation                   |
| CenterPoint Energy, Inc.         | South Jersey Industries, Inc.              |
| Chesapeake Utilities             | Southwest Gas Corporation                  |
| CMS Energy Corporation           | Spire, Inc. (formerly Laclede Group, Inc.) |
| New Jersey Resources Corporation |                                            |

*Restricted Stock Units*

RSUs are payable in common stock after a three-year vesting period, provided the NEO remains employed with the company through the vesting date. As with the PSUs, RSUs promote retention, increase long-term equity ownership and further promote the alignment of our executives' interests with those of our stakeholders. We believe that it is important to have an element of compensation that is focused directly on retaining executives to help to minimize the disruption associated with unplanned turnover. During the three-year vesting period, employees receiving a grant, including the NEOs, have their accounts credited with an amount equal to all ordinary cash dividends that would have been paid if shares were issued on the grant date. The dividend equivalents are deemed to be reinvested. If an

employee, including an NEO, forfeits any RSUs, the dividend equivalents are also forfeited.

*Vesting of 2015 PSUs*

The 2015 PSU grants vested in February 2018. The Committee reviewed the company's relative TSR performance during the performance period against the peer group and has determined that its 77.45 percent TSR result ranks first amongst the nine peer companies. The Committee certified the performance with a corresponding payout of 200 percent of target.

The peer group previously approved by the Committee for this grant includes, after considering certain merger activity which eliminated three companies:

Atmos Energy Corporation

Southwest Gas Corporation

Avista Corporation

Spire, Inc.

New Jersey Resources Corporation

Vectren Corporation

Northwest Natural Gas Company

WGL Holdings, Inc.

South Jersey Industries, Inc.

**Other Compensation and Benefit Programs**

***Retirement Benefits, qualified under the Internal Revenue Code:***

The defined contribution 401(k) Plan is available to all of our employees. The company matches 100 percent of employee contributions, up to 6 percent of eligible pay, subject to Internal Revenue Code contribution limits. All of our NEOs participate in this Plan.

The Qualified Pension Plan is a defined benefit plan that is available to non-bargaining unit employees hired prior to January 1, 2005, and certain other bargaining unit employees, subject to Internal Revenue Code contribution limits. All of our NEOs, with the exception of Mr. McAnnally, are participants in the Qualified Pension Plan.

**NQDC Plan:** We maintain a NQDC Plan that provides our NEOs with the opportunity to defer receipt of specified portions of compensation and to have such deferred amounts treated as if invested in specified investment options. The NQDC Plan allows pre-tax deferrals of income and company matching contributions that may have been lost due to government limitations on our qualified retirement plans. The NQDC Plan provides an important financial planning tool which encourages executive retention. Employees eligible for the NQDC Plan are officers and certain other highly compensated employees designated by the company's Benefit Plan Sponsor Committee. All of our NEOs participate in the NQDC Plan.

**SERP:** We maintain a SERP that provides for two types of benefits. Part A of the SERP is an excess benefit that is intended to make up for the benefits not paid to our NEOs from the Qualified Pension Plan, because of the government limits applicable to qualified plans. The formula in Part A of the SERP is the same as the formula used in our Qualified Pension Plan, but uses only eligible earnings above the qualified plan limits. There are three NEOs who are active participants including Mr. Norton, Mr. Dinan, and Ms. Lawhorn.

**Table of Contents**

Part B of the SERP is a supplemental benefit, or "top hat plan" that uses a different formula than the Qualified Pension Plan. The supplemental benefits are based upon a specified percentage of the highest 36 consecutive months compensation of the NEO's last 60 months of service. This benefit is offset by any payment received from Part A of the SERP and the Qualified Pension Plan. Only one of our NEOs, Mr. Dinan, is a participant in Part B.

The SERP is closed to new participants and has not been extended to any new participants since 2005.

**Profit Sharing Plan:** We maintain a Profit Sharing Plan for employees who are not eligible for the Qualified Pension Plan. The company contributes 1 percent of a participant's annual eligible compensation. The company may also make additional discretionary contributions each year. Eligible compensation is limited to the qualified plan limits. The company contributions and earnings are not taxable until distributed. Only one of our NEOs, Mr. McAnnally, is a participant in this Profit Sharing Plan.

**Other Benefits:** Our executive officers, including the NEOs, participate in employee benefit plans under the same terms and premium structure as generally available to all our employees, including our medical, dental, vision, life, employee stock purchase, accidental death and dismemberment, travel and accident, and disability plans.

**Perquisites:** Our executive officers, including the NEOs, receive no perquisites or other personal benefits from the company.

**SHARE OWNERSHIP GUIDELINES**

Our Board advocates executive share ownership to align executive interests with our stakeholders. These guidelines are mandatory and generally must be achieved by each officer over the course of five years after becoming subject to the guidelines. Our executives are required to hold all shares, net of taxes, awarded under our ECP until the share ownership guideline is met.

An executive's holdings include shares owned in the open market, shares held in trust for the benefit of the executive or the benefit of the executive's immediate family, unvested RSUs, and shares held in qualified plans. PSU shares that have not yet been earned and vested do not count toward an executive's personal holdings for the purpose of determining whether the executive is permitted to sell shares of the company's common stock.

Executives employed at the time that we became a standalone company have five years from January 31, 2014, to satisfy individual share ownership requirements. Executives hired after that date have five years from their start date to satisfy individual share ownership requirements.

Below are the base salary multiples for share ownership for the NEOs:

| Name | Title | Multiple<br>of Base<br>Salary |
|------|-------|-------------------------------|
|      |       |                               |

|                     |                                                                |   |
|---------------------|----------------------------------------------------------------|---|
| Pierce H. Norton II | President and Chief Executive Officer                          | 6 |
| Curtis L. Dinan     | Senior Vice President and Chief Financial Officer              | 4 |
| Caron A. Lawhorn    | Senior Vice President, Commercial                              | 3 |
| Robert S. McAnnally | Senior Vice President, Operations                              | 3 |
| Joseph L. McCormick | Senior Vice President, General Counsel and Assistant Secretary | 4 |

As of December 31, 2018, all NEOs with the exception of Mr. McAnnally, had met their individual share ownership requirements. Mr. McAnnally joined the company in March 2015 and has until March 2020 to meet his individual share ownership requirement.

**Table of Contents****RISK CONSIDERATIONS**

The Committee engaged its independent executive compensation consultant in the annual review of the risks and rewards associated with our executive compensation program. Our executive compensation program is designed with features that mitigate risk without diminishing the incentive nature of the compensation. The framework below lists a range of compensation program features that might create motivations for excessive risk and our practices that mitigate those risks:

| Appropriate Risk                                  | Risk Mitigation                                                                                                                                                                                                                        |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Multiple incentive performance measures           | Our annual, STI program features a balance of financial and operational measures                                                                                                                                                       |
| Measures aligned with shareholder value           | Our LTI program features multiple vehicles (RSUs and PSUs) and 3-year overlapping performance periods                                                                                                                                  |
| Measures under broad influence across many people | Our performance measures, performance goals and capital allocation require multiple approval levels and has oversight; the Committee reviews and approves the STI and performance-based LTI award goals at the beginning of each cycle |
| Balanced pay mix                                  | Our compensation program features an effective balance of STI and LTI compensation components to avoid placing too much value on any one element and is aligned to the market                                                          |

|                                                                   |                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Balance of formulaic and discretionary factors                    | Our incentive awards incorporate both objective formulaic and subjective discretionary factors; the Committee retains full discretion                                                                                                            |
| Capped awards                                                     | Our short-term and long-term performance-based payments have capped performance modifiers at 150 percent for short-term and 200 percent for performance-based long-term awards                                                                   |
| Reasonable CIC and severance benefits                             | Our CIC and severance benefits are within common norms (cash CIC payments and acceleration of vesting of equity grants are also subject to double trigger requirements) and do not provide excessive incentives to seek unwarranted transactions |
| Clawback provisions in place                                      | Our clawback provisions extend beyond current legal requirements                                                                                                                                                                                 |
| Meaningful executive stock ownership and consistent LTI practices | Our stock ownership guidelines, annual LTI award grants and vesting provisions create sustained and consistent ownership stakes                                                                                                                  |

Based on its review, because of the reasons set forth above, the Committee has concluded that the company's executive compensation program does not encourage unreasonable risk taking by our executives, and therefore does not produce risks that are reasonably likely to have a material adverse effect on the company.

## CLAWBACK PROVISIONS

Awards made under the annual STI plan and ECP are subject to clawback provisions. The clawback provisions permit the Committee to use appropriate discretion to seek recoupment of awards paid to executives in the event of fraud, negligence or intentional misconduct that is determined to be a contributing factor of having to restate all or a portion of the company's financial statements. We believe executives who are responsible for material noncompliance with applicable financial reporting requirements should not benefit monetarily from such noncompliance.

## TERMINATION AND CHANGE IN CONTROL BENEFITS

Our NEOs are eligible to participate in a CIC Severance Plan. The participants in the plan are reviewed and approved annually by the Committee and the full Board. The cash severance multiple varies but is no greater than three times the participant's salary and target STI. The cash severance and acceleration of unvested equity requires a double trigger of a CIC of the company followed by a qualifying termination of the executive's employment. See page 61 for more information regarding the determination of when a double trigger has occurred. Qualifying terminations include involuntary termination without cause or voluntary termination with good reason. Good reason includes:

Demotion or material reduction of authority or responsibility;

Material reduction in base salary;

Material reduction in annual incentive or LTI targets;

Relocation of greater than 35 miles; or

Failure to assume the CIC Severance Plan.



## **Table of Contents**

The plan does not provide for additional pension benefits upon a CIC. In addition, the plan does not provide for a tax gross-up feature for golden parachute excise taxes, but provides plan participants a best after-tax results approach to excise taxes in determining the benefit payable to a participant under the plan. Under this approach, the company will reduce the benefits payable to the participant to the extent necessary to avoid triggering the excise tax, but only if doing so would result in a higher after-tax payment to the participant.

## **ANTI-HEDGING AND ANTI-PLEDGING POLICIES**

An employee designated as an insider, including the NEOs, may not engage in any hedging strategies involving ONE Gas securities that allow a person to lock in much of the value of stockholdings, often in exchange for all or part of the potential upside appreciation in the stock, including, but not limited to:

Purchasing ONE Gas stock on margin;

Selling ONE Gas stock short;

Entering into zero cost collars, prepaid variable forward sale contracts, equity swaps or exchange funds; or

Buying or selling puts or calls or other derivative instruments.

Insiders are prohibited from holding ONE Gas securities in a margin account or otherwise pledging ONE Gas securities as collateral for a loan. ONE Gas may grant exceptions to the prohibition against pledging on a limited case-by-case basis, provided that the insider must submit a request for approval to the CEO. There is no exception to the prohibition against pledging with respect to the CEO. Any request is subject to pre-clearance under the Securities Insider Trading Policy. However, there is no assurance that an exception will be granted and there were none granted to the policies in 2018.

## **EMPLOYMENT AGREEMENTS**

We do not enter into individual employment agreements with any of our NEOs. Instead, in general, the rights of our NEOs with respect to specific events are covered by our compensation and benefit plans, including our CIC Severance Plan.

## **INTERNAL REVENUE CODE LIMITATIONS ON DEDUCTIBILITY OF EXECUTIVE COMPENSATION**

The Tax Cuts and Jobs Act, enacted on December 22, 2017, substantially modified Section 162(m) of the Internal Revenue Code and, among other things, eliminated the performance-based exception to the \$1 million deduction limit effective as of January 1, 2018. As a result, beginning in 2018, compensation paid to certain executive officers in excess of \$1 million will generally be nondeductible, whether or not it is performance-based. In addition, beginning in 2018, the executive officers subject to Section 162(m) (the Covered Employees) will include any individual who served as the CEO or CFO at any time during the taxable year and the three other most highly compensated officers (other than the CEO and CFO) for the taxable year, and once an individual becomes a Covered Employee for any taxable year beginning after December 31, 2016, that individual will remain a Covered Employee for all future years, including following any termination of employment.

The Tax Cuts and Jobs Act includes a transition rule under which the changes to Section 162(m) described above will not apply to compensation payable pursuant to a written binding contract that was in effect on November 2, 2017, and is not materially modified after that date. To the extent applicable to our existing contracts and awards, the Committee may avail itself of this transition rule. However, because of uncertainties as to the application and interpretation of the transition rule, no assurances can be given at this time that our existing contracts and awards, even if in place on November 2, 2017, will meet the requirements of the transition rule. Moreover, to maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Committee does not limit its actions with respect to executive compensation to preserve deductibility under Section 162(m) if the Committee determines that doing so is in the best interests of the company.

---

**Table of Contents**

**EXECUTIVE COMPENSATION COMMITTEE REPORT**

The Committee has met, reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement. Based on this review and discussion, the Committee recommended to the Board the inclusion of the Compensation Discussion and Analysis in this proxy statement.

**Patty L. Moore, Chair**

**Douglas H. Yaeger, Vice Chair**

**Arcilia C. Acosta, Member**

**Robert B. Evans, Member**

**Tracy E. Hart, Member**

**Michael G. Hutchinson, Member**

**Eduardo A. Rodriguez, Member**

**52      ONE Gas, Inc. Notice of 2019 Annual Meeting of Shareholders and Proxy Statement**

[Table of Contents](#)**NAMED EXECUTIVE OFFICER COMPENSATION**

The following table reflects the compensation paid to the NEOs in respect to our 2018 fiscal year.

**SUMMARY COMPENSATION TABLE FOR 2018**

| Name and Principal Position                                                        | Year | Salary     | Stock Awards <sup>(1)</sup> | Change in Pension                                     |                                                         |                                       | Total        |
|------------------------------------------------------------------------------------|------|------------|-----------------------------|-------------------------------------------------------|---------------------------------------------------------|---------------------------------------|--------------|
|                                                                                    |      |            |                             | Non-Equity Incentive Plan Compensation <sup>(2)</sup> | Value and Nonqualified Deferred Earnings <sup>(3)</sup> | All Other Compensation <sup>(4)</sup> |              |
| <b>Pierce H. Norton II</b><br><i>President and Chief Executive Officer</i>         | 2018 | \$ 775,000 | \$ 1,870,544                | \$ 939,300                                            | \$ 540,706                                              | \$ 96,780                             | \$ 4,222,330 |
|                                                                                    | 2017 | \$ 720,000 | \$ 1,593,284                | \$ 838,000                                            | \$ 786,270                                              | \$ 83,675                             | \$ 4,021,229 |
|                                                                                    | 2016 | \$ 700,000 | \$ 1,509,792                | \$ 670,000                                            | \$ 882,325                                              | \$ 101,856                            | \$ 3,863,973 |
| <b>Curtis L. Dinan</b><br><i>Senior Vice President and Chief Financial Officer</i> | 2018 | \$ 435,000 | \$ 454,320                  | \$ 363,255                                            | \$ -                                                    | \$ 50,100                             | \$ 1,302,675 |
|                                                                                    | 2017 | \$ 435,000 | \$ 424,663                  | \$ 400,000                                            | \$ 694,838                                              | \$ 44,795                             | \$ 1,999,296 |
|                                                                                    | 2016 | \$ 435,000 | \$ 432,493                  | \$ 307,000                                            | \$ 452,763                                              | \$ 55,056                             | \$ 1,682,312 |
| <b>Baron A. Lawhorn</b><br><i>Senior Vice President, Commercial</i>                | 2018 | \$ 365,000 | \$ 427,575                  | \$ 301,924                                            | \$ -                                                    | \$ 41,000                             | \$ 1,135,499 |
|                                                                                    | 2017 | \$ 360,000 | \$ 424,663                  | \$ 305,000                                            | \$ 294,511                                              | \$ 36,935                             | \$ 1,421,109 |
|                                                                                    | 2016 | \$ 360,000 | \$ 432,493                  | \$ 251,000                                            | \$ 357,007                                              | \$ 45,516                             | \$ 1,446,016 |
| <b>Robert S. McAnnally</b><br><i>Senior Vice President, Operations</i>             | 2018 | \$ 365,000 | \$ 427,575                  | \$ 301,924                                            | \$ -                                                    | \$ 71,213                             | \$ 1,165,712 |
|                                                                                    | 2017 | \$ 350,000 | \$ 371,980                  | \$ 320,000                                            | \$ -                                                    | \$ 63,802                             | \$ 1,105,782 |
|                                                                                    | 2016 | \$ 325,000 | \$ 350,655                  | \$ 243,000                                            | \$ -                                                    | \$ 50,823                             | \$ 969,478   |

|                                                                                                     |      |    |         |    |         |    |         |    |         |    |        |    |           |
|-----------------------------------------------------------------------------------------------------|------|----|---------|----|---------|----|---------|----|---------|----|--------|----|-----------|
| <b>Joseph L. McCormick</b><br><i>Senior Vice President, General Counsel and Assistant Secretary</i> | 2018 | \$ | 340,000 | \$ | 400,837 | \$ | 242,509 | \$ | 32,832  | \$ | 51,813 | \$ | 1,067,991 |
|                                                                                                     | 2017 | \$ | 325,000 | \$ | 346,500 | \$ | 260,000 | \$ | 144,141 | \$ | 45,477 | \$ | 1,121,118 |
|                                                                                                     | 2016 | \$ | 310,000 | \$ | 324,005 | \$ | 185,000 | \$ | 109,712 | \$ | 37,541 | \$ | 966,258   |

(1) The amounts included in the table relate to RSUs and PSUs granted under our ECP and reflect the aggregate grant date fair value of such awards calculated pursuant to ASC Topic 718. Material assumptions used in the calculation of the value of these equity grants are included in Note 11 to our audited financial statements for the year ended December 31, 2018, included in our Annual Report on Form 10-K filed with the SEC on February 20, 2019.

The aggregate grant date fair value of RSUs for purposes of ASC Topic 718 was determined based on the closing price of our common stock on the grant date. With respect to the PSUs, the aggregate grant date fair value for purposes of ASC Topic 718 was determined using the probable outcome of the performance conditions as of the grant date based on a valuation model that considers the market condition (TSR) and using assumptions developed from the referenced peer companies. The value included for the PSUs is based on 100 percent of the PSUs vesting at the end of the performance period. Using the maximum number of shares issuable upon vesting of the PSUs (200 percent of the units granted), the aggregate grant date fair value of the PSUs would be as follows:

| Name                | 2018         | 2017         | 2016         |
|---------------------|--------------|--------------|--------------|
| Pierce H. Norton II | \$ 3,041,119 | \$ 2,585,250 | \$ 2,459,904 |
| Curtis L. Dinan     | \$ 738,623   | \$ 689,400   | \$ 704,660   |
| Caron A. Lawhorn    | \$ 695,088   | \$ 689,400   | \$ 704,660   |
| Robert S. McAnnally | \$ 695,088   | \$ 603,225   | \$ 570,134   |

|                     |    |         |    |         |    |         |
|---------------------|----|---------|----|---------|----|---------|
| Joseph L. McCormick | \$ | 651,700 | \$ | 561,861 | \$ | 528,495 |
|---------------------|----|---------|----|---------|----|---------|

- (2) Reflects STI awards earned in 2018, 2017 and 2016 and paid in 2019, 2018 and 2017, respectively, under our annual STI plan. For a discussion of the performance criteria established by the Committee for awards under the 2018 annual STI plan, see 2018 Performance and Compensation Decisions *Short-Term Incentive* above on page 45.
- (3) The amounts reflected represent the aggregate change during 2018 in the actuarial present value of the NEOs' accumulated benefits under the Qualified Pension Plan and the SERP. For a description of these plans, see Pension Benefits below. The change in the present value of the accrued pension benefit is impacted by variables such as additional years of service, age and the discount rate used to calculate the present value of the change. For 2018, the change in pension value reflects the increase due to additional service and pay for the year, offset by a decrease in present value due to the higher discount rate in effect on the measurement date (3.8 percent as of December 31, 2017, and 4.4 percent as of December 29, 2018). The Qualified Pension Plan was closed to new participants as of December 31, 2004. All of our NEOs, with the exception of Mr. McAnnally, participate in the Qualified Pension Plan. The SERP was closed to new participants on January 1, 2014, although no new participants had been added since 2005. Ms. Lawhorn and Messrs. Norton and Dinan participate in the SERP. During 2018, the pension value for Mr. Dinan decreased \$3,805. During 2018, the pension value for Ms. Lawhorn decreased \$12,373.

**Table of Contents**

(4) Reflects (i) the amounts paid as our dollar-for-dollar match of contributions made by the NEO under our NQDC Plan, 401(k) Plan for Employees of ONE Gas, Inc. and Subsidiaries and Profit Sharing Plan, (ii) amounts paid for length of service awards and (iii) the value of shares received in 2018, 2017 and 2016 under our Employee Stock Award Program as of the date of issuance as follows:

| Name                | Year |    | Match Under Nonqualified Deferred Compensation Plan <sup>(a)</sup> |    | Match Under 401(k) Plan <sup>(b)</sup> |    | Profit Sharing Plan <sup>(c)</sup> |    | Service Award <sup>(d)(e)</sup> |    | ONE Gas Stock Award <sup>(e)</sup> |
|---------------------|------|----|--------------------------------------------------------------------|----|----------------------------------------|----|------------------------------------|----|---------------------------------|----|------------------------------------|
| Pierce H. Norton II | 2018 | \$ | 80,280                                                             | \$ | 16,500                                 | \$ | -                                  | \$ | -                               | \$ | -                                  |
|                     | 2017 | \$ | 67,200                                                             | \$ | 16,200                                 | \$ | -                                  | \$ | -                               | \$ | 275                                |
|                     | 2016 | \$ | 84,960                                                             | \$ | 15,900                                 | \$ | -                                  | \$ | -                               | \$ | 996                                |
| Curtis L. Dinan     | 2018 | \$ | 33,600                                                             | \$ | 16,500                                 | \$ | -                                  | \$ | -                               | \$ | -                                  |
|                     | 2017 | \$ | 28,320                                                             | \$ | 16,200                                 | \$ | -                                  | \$ | -                               | \$ | 275                                |
|                     | 2016 | \$ | 38,160                                                             | \$ | 15,900                                 | \$ | -                                  | \$ | -                               | \$ | 996                                |
| Caron A. Lawhorn    | 2018 | \$ | 23,700                                                             | \$ | 16,500                                 | \$ | -                                  | \$ | 800                             | \$ | -                                  |
|                     | 2017 | \$ | 20,460                                                             | \$ | 16,200                                 | \$ | -                                  | \$ | -                               | \$ | 275                                |
|                     | 2016 | \$ | 28,620                                                             | \$ | 15,900                                 | \$ | -                                  | \$ | -                               | \$ | 996                                |
| Robert S. McAnnally | 2018 | \$ | 38,463                                                             | \$ | 16,500                                 | \$ | 16,250                             | \$ | -                               | \$ | -                                  |
|                     | 2017 | \$ | 34,028                                                             | \$ | 16,200                                 | \$ | 13,300                             | \$ | -                               | \$ | 275                                |
|                     | 2016 | \$ | 19,278                                                             | \$ | 15,900                                 | \$ | 14,650                             | \$ | -                               | \$ | 996                                |
| Joseph L. McCormick | 2018 | \$ | 34,713                                                             | \$ | 16,500                                 | \$ | -                                  | \$ | 600                             | \$ | -                                  |
|                     | 2017 | \$ | 29,003                                                             | \$ | 16,200                                 | \$ | -                                  | \$ | -                               | \$ | 275                                |
|                     | 2016 | \$ | 20,645                                                             | \$ | 15,900                                 | \$ | -                                  | \$ | -                               | \$ | 996                                |

(a) For additional information on our NQDC Plan, see Nonqualified Deferred Compensation for 2018 below on page 59.

(b) Our 401(k) Plan is a tax-qualified plan that covers substantially all of our employees. Employee contributions are discretionary. Subject to certain limits, we match 100 percent of employee contributions to the plan up to a

maximum of 6 percent of eligible compensation.

(c) Represents amounts contributed by the company under the ONE Gas, Inc. Profit Sharing Plan.

(d) Service awards are amounts paid to employees of the company upon milestone anniversaries with the company beginning upon the employee's fifth anniversary with the company and continuing thereafter for every five years of service with the company.

(e) There are no tax gross-up payments in connection with shares awarded under our Employee Stock Award Program or cash service awards.

The NEOs received no other perquisites or other personal benefits from the company in 2018.

**54**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement



**Table of Contents****GRANTS OF PLAN-BASED AWARDS FOR 2018**

The following table reflects the grants of plan-based awards to the NEOs during 2018.

**Grants of Plan-Based Awards**

| Name                    | Grant Date | Estimated Future Payouts Under<br>Non-Equity Incentive Plan Awards <sup>(1)</sup> |            |              | Estimated Future Payouts<br>Under<br>Equity Incentive Plan<br>Awards <sup>(2)</sup> |        |         | All Other<br>Stock Awards:<br>Number<br>of<br>Shares<br>of<br>Stock or Units <sup>(3)</sup> |       | Grant Date<br>Fair Value<br>of Stock<br>Awards <sup>(4)</sup> |
|-------------------------|------------|-----------------------------------------------------------------------------------|------------|--------------|-------------------------------------------------------------------------------------|--------|---------|---------------------------------------------------------------------------------------------|-------|---------------------------------------------------------------|
|                         |            | Threshold                                                                         | Target     | Maximum      | Threshold                                                                           | Target | Maximum |                                                                                             |       |                                                               |
|                         |            |                                                                                   |            |              |                                                                                     |        |         |                                                                                             |       |                                                               |
| Pierce H.<br>Norton II  |            |                                                                                   |            |              |                                                                                     |        |         |                                                                                             |       |                                                               |
| Restricted<br>Unit      | 2/19/2018  |                                                                                   |            |              |                                                                                     |        |         |                                                                                             | 5,134 | \$ 349,985                                                    |
| Performance<br>Unit     | 2/19/2018  |                                                                                   |            |              | 10,269                                                                              | 20,537 | 41,074  |                                                                                             |       | \$ 1,520,559                                                  |
| Short-Term<br>Incentive | 1/1/2018   | \$ -                                                                              | \$ 775,000 | \$ 1,453,125 |                                                                                     |        |         |                                                                                             |       |                                                               |

**Curtis L.  
Dinan**

|                    |           |  |  |  |  |  |  |       |    |        |
|--------------------|-----------|--|--|--|--|--|--|-------|----|--------|
| Restricted<br>Unit | 2/19/2018 |  |  |  |  |  |  | 1,247 | \$ | 85,008 |
|--------------------|-----------|--|--|--|--|--|--|-------|----|--------|

|                  |           |  |  |       |       |       |    |         |
|------------------|-----------|--|--|-------|-------|-------|----|---------|
| Performance Unit | 2/19/2018 |  |  | 2,494 | 4,988 | 9,976 | \$ | 369,312 |
|------------------|-----------|--|--|-------|-------|-------|----|---------|

|                      |          |    |   |    |         |    |         |
|----------------------|----------|----|---|----|---------|----|---------|
| Short-Term Incentive | 1/1/2018 | \$ | - | \$ | 282,750 | \$ | 530,156 |
|----------------------|----------|----|---|----|---------|----|---------|

**Caron A. Lawhorn**

|                 |           |  |  |  |  |       |    |        |
|-----------------|-----------|--|--|--|--|-------|----|--------|
| Restricted Unit | 2/19/2018 |  |  |  |  | 1,174 | \$ | 80,032 |
|-----------------|-----------|--|--|--|--|-------|----|--------|

|                  |           |  |  |       |       |       |    |         |
|------------------|-----------|--|--|-------|-------|-------|----|---------|
| Performance Unit | 2/19/2018 |  |  | 2,347 | 4,694 | 9,388 | \$ | 347,544 |
|------------------|-----------|--|--|-------|-------|-------|----|---------|

|                      |          |    |   |    |         |    |         |
|----------------------|----------|----|---|----|---------|----|---------|
| Short-Term Incentive | 1/1/2018 | \$ | - | \$ | 237,250 | \$ | 444,844 |
|----------------------|----------|----|---|----|---------|----|---------|

**Robert S. McAnnally**

|                 |           |  |  |  |  |       |    |        |
|-----------------|-----------|--|--|--|--|-------|----|--------|
| Restricted Unit | 2/19/2018 |  |  |  |  | 1,174 | \$ | 80,032 |
|-----------------|-----------|--|--|--|--|-------|----|--------|

|                  |           |  |  |       |       |       |    |         |
|------------------|-----------|--|--|-------|-------|-------|----|---------|
| Performance Unit | 2/19/2018 |  |  | 2,347 | 4,694 | 9,388 | \$ | 347,544 |
|------------------|-----------|--|--|-------|-------|-------|----|---------|

|                      |          |    |   |    |         |    |         |
|----------------------|----------|----|---|----|---------|----|---------|
| Short-Term Incentive | 1/1/2018 | \$ | - | \$ | 237,250 | \$ | 444,844 |
|----------------------|----------|----|---|----|---------|----|---------|

**Joseph L.  
McCormick**

|                         |           |    |       |       |         |       |    |         |
|-------------------------|-----------|----|-------|-------|---------|-------|----|---------|
| Restricted<br>Unit      | 2/19/2018 |    |       |       |         | 1,100 | \$ | 74,987  |
| Performance<br>Unit     | 2/19/2018 |    | 2,201 | 4,401 | 8,802   |       | \$ | 325,850 |
| Short-Term<br>Incentive | 1/1/2018  | \$ | -     | \$    | 187,000 | \$    |    | 350,625 |

1) Reflects amounts that could be earned pursuant to our annual officer STI plan. The plan provides that our NEOs may receive annual STI awards based on the performance of the company measured by financial (EPS) and operational factors (TRIR, PVIR and DART) and individual performance during the relevant fiscal year. Company targets and individual goals are established annually by the Committee. The Committee establishes annual target awards for each officer expressed as a percentage of their base salaries. The actual amounts earned by the NEOs in 2018 under the plan and paid in 2019 are set forth under the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table for 2018 above. For each performance measure of our annual officer STI plan, no incentive amount would be paid for that measure unless the company's actual result exceeds the established threshold levels. If the company's actual results are below the threshold level, the percentage payable for that measure is zero. For the 2018 STI plan, the payout range based on the performance of the company was 50 percent - 150 percent of base salary and a personal modifier ranging from 0 - 125 percent. The threshold amounts reflected in the table apply a personal modifier of 0 percent. The maximum amounts reflected in the table apply a personal modifier of 125 percent to the 150 percent company performance payout.

(2) Reflects the PSUs that could be earned pursuant to awards granted under our ECP that vest three years from the date of grant, at which time the holder is entitled to receive a percentage (0 to 200 percent) of the PSUs granted based on performance criteria. If actual performance is below the threshold level, the percentage of PSUs earned is zero. For this period, the criteria is our TSR over the period of February 19, 2018, to February 13, 2021, compared with the TSR of the peer group. If our actual relative TSR is between the stated performance levels, the percentage of PSUs earned is interpolated between the stated performance levels. One share of our common stock is payable for each performance unit that vests, plus accrued dividends. PSUs are also subject to accelerated vesting upon a CIC.

- (3) Reflects RSUs granted under our ECP that vest three years from the date of grant, at which time the grantee is entitled to receive the grant in shares of our common stock, plus accrued dividends.
- (4) The aggregate grant date fair value of the RSUs for purposes of ASC Topic 718 was determined based on the closing price of our common stock on the grant date. With respect to the PSUs, the aggregate grant date fair value for purposes of ASC Topic 718 was determined using the probable outcome of the performance conditions as of the grant date based on a valuation model that considers market conditions (such as TSR) and using assumptions developed from historical information of each of the peer companies referenced under *2018 Performance and Compensation Decisions Long Term Incentives* above. This amount is consistent with the estimate of aggregate compensation cost to be recognized over the performance period determined as of the grant date under ASC Topic 718. The value presented is based on 100 percent of the PSUs vesting at the end of the three-year performance period.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END FOR 2018**

The following table shows the outstanding equity awards held by the NEOs as of December 31, 2018.

**Outstanding Equity Awards at Fiscal Year-End**

| Name                | Stock Awards                                                              |                                                               |                              |                   |
|---------------------|---------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------|-------------------|
|                     | Number of Shares or Units of Stock That Have Not Vested <sup>(1)(3)</sup> | Market Value of Shares or Units of Stock That Have Not Vested | Equity Incentive             | Equity Incentive  |
|                     |                                                                           |                                                               | Plan Awards:                 | Plan Awards:      |
|                     |                                                                           |                                                               | Number of                    | Market or Payout  |
|                     |                                                                           |                                                               | Unearned Shares,             | Value of Unearned |
|                     |                                                                           |                                                               | Units or Other               | Shares, Units or  |
|                     |                                                                           |                                                               | Rights That Have             | Other Rights      |
|                     |                                                                           |                                                               | Not Vested <sup>(2)(3)</sup> | That Have Not     |
|                     |                                                                           |                                                               |                              | Vested            |
| Pierce H. Norton II | 15,344                                                                    | \$1,221,359                                                   | 122,647                      | \$9,762,687       |
| Curtis L. Dinan     | 4,065                                                                     | \$ 323,580                                                    | 32,521                       | \$2,588,636       |
| Caron A. Lawhorn    | 3,990                                                                     | \$ 317,625                                                    | 31,918                       | \$2,540,676       |
| Robert S. McAnnally | 3,565                                                                     | \$ 283,737                                                    | 28,352                       | \$2,256,851       |

|                     |       |            |        |             |
|---------------------|-------|------------|--------|-------------|
| Joseph L. McCormick | 3,302 | \$ 262,894 | 26,425 | \$2,103,413 |
|---------------------|-------|------------|--------|-------------|

(1) Represents RSUs that have not yet vested. RSUs vest three years from the date of grant, at which time the grantee is entitled to receive one share of our common stock for each vested RSU, plus accrued dividends. RSUs accrue dividend equivalents from the date of grant through the vesting date. RSUs are scheduled to vest as set forth in the following table:

#### Restricted Unit Vesting Schedule

|                     |       |                      |
|---------------------|-------|----------------------|
| Pierce H. Norton II | 5,153 | on February 18, 2019 |
|                     | 4,930 | on February 15, 2020 |
|                     | 5,261 | on February 13, 2021 |

|                 |       |                      |
|-----------------|-------|----------------------|
| Curtis L. Dinan | 1,476 | on February 18, 2019 |
|                 | 1,311 | on February 15, 2020 |
|                 | 1,278 | on February 13, 2021 |

|                  |       |                      |
|------------------|-------|----------------------|
| Caron A. Lawhorn | 1,476 | on February 18, 2019 |
|                  | 1,311 | on February 15, 2020 |
|                  | 1,203 | on February 13, 2021 |

|                     |       |                      |
|---------------------|-------|----------------------|
| Robert S. McAnnally | 1,208 | on February 18, 2019 |
|                     | 1,154 | on February 15, 2020 |
|                     | 1,203 | on February 13, 2021 |

|                     |       |                      |
|---------------------|-------|----------------------|
| Joseph L. McCormick | 1,100 | on February 18, 2019 |
|                     | 1,075 | on February 15, 2020 |
|                     | 1,127 | on February 13, 2021 |

(2) Represents PSUs that have not yet vested. PSUs vest three years from the date of grant, at which time the holder is entitled to receive a percentage (0 to 200 percent) of the PSUs granted based on our TSR over the three-year performance period, compared with the TSR of the peer group. One share of our common stock is payable in respect of each PSU granted that becomes vested, plus accrued dividends. PSUs accrue dividend equivalents from

the date of grant through the vesting date. The number of PSUs represented and their corresponding market value is based on 200 percent of the PSUs vesting at the end of the three-year performance period as last year's PSUs paid out at 200 percent.

**56**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

The following table reflects the projected vesting level based on our TSR compared with the TSR of the referenced peer group at December 31, 2018:

**Performance Unit Vesting Schedule**

|                     |        |                      |
|---------------------|--------|----------------------|
| Pierce H. Norton II | 41,226 | on February 18, 2019 |
|                     | 39,332 | on February 15, 2020 |
|                     | 42,088 | on February 13, 2021 |
| Curtis L. Dinan     | 11,810 | on February 18, 2019 |
|                     | 10,489 | on February 15, 2020 |
|                     | 10,222 | on February 13, 2021 |
| Caron A. Lawhorn    | 11,810 | on February 18, 2019 |
|                     | 10,489 | on February 15, 2020 |
|                     | 9,620  | on February 13, 2021 |
| Robert S. McAnnally | 9,555  | on February 18, 2019 |
|                     | 9,177  | on February 15, 2020 |
|                     | 9,620  | on February 13, 2021 |
| Joseph L. McCormick | 8,857  | on February 18, 2019 |
|                     | 8,548  | on February 15, 2020 |
|                     | 9,019  | on February 13, 2021 |

(3) The terms of both our RSUs and our PSUs provide that any such unvested units will become fully vested upon a qualifying termination of employment following a CIC. See Potential Post-Employment Payments and Payments Upon a Change in Control on page 61.

**OPTION EXERCISES AND STOCK VESTED FOR 2018**

The following table sets forth stock awards held by the NEOs that vested during 2018. The company has not awarded any options, therefore no NEO exercised any options during 2018, and no NEO or other employee currently holds any unexercised options.

**Option Exercises and Stock Vested**



| Stock Awards <sup>(1)</sup> |                                            |                                             |
|-----------------------------|--------------------------------------------|---------------------------------------------|
| Name                        | Number of Shares<br>Acquired<br>on Vesting | Value Realized<br>on Vesting <sup>(2)</sup> |
| Pierce H. Norton II         | 58,511                                     | \$ 3,970,852                                |

Curtis L. Dinan      18,705      \$ 1,269,431

|                  |        |              |
|------------------|--------|--------------|
| Caron A. Lawhorn | 18,705 | \$ 1,269,431 |
|------------------|--------|--------------|

Robert S. McAnnally      13,956      \$ 947,131

|                     |        |            |
|---------------------|--------|------------|
| Joseph L. McCormick | 14,049 | \$ 953,443 |
|---------------------|--------|------------|

(1) Certain of the NEOs elected to have vested shares withheld to cover applicable state and federal taxes incurred upon vesting. As a result, the net shares received upon the vesting and the related net value realized are as follows:

| Name | Net Shares<br>Acquired<br>on Vesting | Net Value<br>Realized on<br>Vesting |
|------|--------------------------------------|-------------------------------------|
|------|--------------------------------------|-------------------------------------|

|                     |        |             |
|---------------------|--------|-------------|
| Pierce H. Norton II | 32,539 | \$2,208,306 |
|---------------------|--------|-------------|

|                 |        |            |
|-----------------|--------|------------|
| Curtis L. Dinan | 10,359 | \$ 703,056 |
|-----------------|--------|------------|

|                  |        |            |
|------------------|--------|------------|
| Caron A. Lawhorn | 10,352 | \$ 702,525 |
|------------------|--------|------------|

|                     |       |            |
|---------------------|-------|------------|
| Robert S. McAnnally | 7,709 | \$ 523,196 |
|---------------------|-------|------------|

|                     |       |            |
|---------------------|-------|------------|
| Joseph L. McCormick | 7,759 | \$ 526,658 |
|---------------------|-------|------------|

(2) The value realized on vesting represents the market value of the shares received based on the average of the high and low prices of our common stock on the NYSE on the date of vesting.

**Table of Contents****PENSION BENEFITS FOR 2018**

The following table sets forth the estimated present value of accumulated benefits as of December 31, 2018, and payments made during 2018, in respect to each NEO under the referenced retirement plans.

**Pension Benefits**

| Name                | Plan Name                              | Number of Years<br>Credited<br>Service | Present Value of<br>Accumulated<br>Benefit <sup>(1)</sup> | Payments D<br>Last<br>Fiscal<br>Year |
|---------------------|----------------------------------------|----------------------------------------|-----------------------------------------------------------|--------------------------------------|
| Pierce H. Norton II | Supplemental Executive Retirement Plan | 14.08                                  | \$ 3,442,287                                              | \$ -                                 |
|                     | Qualified Pension Plan                 | 14.08                                  | \$ 757,627                                                | \$ -                                 |
| Curtis L. Dinan     | Supplemental Executive Retirement Plan | 15.00 <sup>(2)</sup>                   | \$ 2,326,198                                              | \$ -                                 |
|                     | Qualified Pension Plan                 | 15.00 <sup>(2)</sup>                   | \$ 590,353                                                | \$ -                                 |
| Caron A. Lawhorn    | Supplemental Executive Retirement Plan | 20.25                                  | \$ 1,333,373                                              | \$ -                                 |
|                     | Qualified Pension Plan                 | 20.25                                  | \$ 1,117,711                                              | \$ -                                 |
| Robert S. McAnnally | Supplemental Executive Retirement Plan | -(3)                                   | \$ -                                                      | \$ -                                 |

|                        |      |    |   |    |   |
|------------------------|------|----|---|----|---|
| Qualified Pension Plan | -(3) | \$ | - | \$ | - |
|------------------------|------|----|---|----|---|

|                     |                                        |                      |    |         |    |   |
|---------------------|----------------------------------------|----------------------|----|---------|----|---|
| Joseph L. McCormick | Supplemental Executive Retirement Plan | -(4)                 | \$ | -       | \$ | - |
|                     | Qualified Pension Plan                 |                      |    |         |    |   |
|                     |                                        | 16.00 <sup>(4)</sup> | \$ | 870,068 | \$ | - |

(1) Each executive officer's benefit is determined as of age 62 when an unreduced benefit can be received under the SERP and Qualified Pension Plan. The present value of the unreduced benefit is determined using the assumptions from a measurement date of December 31, 2018. Material assumptions used in the calculation of the present value of accumulated benefits are included in Note 12 to our audited financial statements for the year ended December 31, 2018, included in our Annual Report on Form 10-K filed with the SEC on February 20, 2019.

(2) Mr. Dinan's actual service is 14 years and ten months. There is no resulting benefit augmentation with respect to the additional two months credited to Mr. Dinan's years of service.

(3) Mr. McAnnally is not a participant in the SERP or the Qualified Pension Plan.

(4) Mr. McCormick's actual service is 15 years and ten months. There is no resulting benefit augmentation with respect to the additional two months credited to Mr. McCormick's years of service. Mr. McCormick is not a participant in the SERP.

**Qualified Pension Plan.** The Qualified Pension Plan is a defined benefit pension plan qualified under the Internal Revenue Code. At December 31, 2018, the plan covered non-bargaining unit employees hired prior to January 1, 2005, and certain bargaining-unit employees. Also, at December 31, 2018, non-bargaining unit employees hired after December 31, 2004, employees represented by Local No. 304 of the International Brotherhood of Electrical Workers hired on or after July 1, 2010, employees represented by United Steelworkers hired on or after December 15, 2011, and employees who accepted a one-time opportunity to opt out of the Qualified Pension Plan were covered by our Profit Sharing Plan.

Benefits under the Qualified Pension Plan generally become vested and non-forfeitable after completion of five years of continuous employment. Under the plan, a vested participant receives a monthly retirement benefit at normal retirement age, unless an early retirement benefit is elected under the plan, in which case the retirement benefit may be actuarially reduced for early commencement. Generally, participants retiring on or after age 62 through normal retirement age receive 100 percent of their accrued monthly benefit which may be reduced depending on the optional form of payment elected at retirement. Benefits are calculated at retirement date based on a participant's credited service (limited to a maximum of 35 years) and final average earnings. The earnings utilized in the retirement plan benefit formula in the Qualified Pension Plan for employees includes the base salary and STI compensation paid to an employee during the period of the employee's final average earnings, less any amounts deferred under the NQDC Plan.

The period of final average earnings means the employee's highest earnings during any 60 consecutive months of the last 120 months of employment. For any NEO who retires with vested benefits under the plan, the compensation shown as Salary and Non-Equity Incentive Plan Compensation in the Summary Compensation Table for 2018 would be considered eligible compensation in determining benefits, except that the plan benefit formula takes into account only fixed percentages of final average earnings. The amount of eligible compensation that may be considered in calculating retirement benefits is also subject to limitations in the Internal Revenue Code and the limitations contained in certain collective bargaining agreements applicable to the plan.

**SERP.** We maintain a SERP in order to provide supplemental retirement benefits to certain officers. The SERP provides that officers may be selected for participation in a supplemental retirement benefit or an excess retirement benefit, or both. If a participant is eligible for both the supplemental retirement benefit and the excess retirement benefit, the excess retirement benefit and benefits payable under the Qualified Pension Plan are treated as an offset that reduces the supplemental retirement benefit.

Participants in the SERP were selected by our CEO or, in the case of our CEO, by our Board. Our Board may amend or terminate the SERP at any time, provided that accrued benefits to current participants may not be reduced.

**58**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

No new participants have been added to our SERP since 2005, and the SERP was closed to any additional participants as of January 1, 2014.

Supplemental benefits payable to participating employees in the SERP are based upon a specified percentage (reduced for early retirement and commencement of payment of benefits under the SERP) of the highest 36 consecutive months compensation of the employee's last 60 months of service. The excess retirement benefit under the SERP pays a benefit equal at least to the benefit that would be payable to the participant under the Qualified Pension Plan if limitations imposed by the Internal Revenue Code were not applicable, less the benefit payable under the Qualified Pension Plan with such limitations. Benefits under the SERP are offset by the payment of benefits under the Qualified Pension Plan that were or would have been paid if the Qualified Pension Plan benefits were commenced at the same time as the SERP benefits. We fund benefits payable under the SERP through a rabbi trust arrangement.

**NONQUALIFIED DEFERRED COMPENSATION FOR 2018**

The following table sets forth certain information regarding the participation by the NEOs in our NQDC Plan.

**Nonqualified Deferred Compensation**

| Name                |     | Registrant                                        |                                      |                                                |                                                            |           | Aggregate<br>Balance at Fiscal<br>Year End <sup>(3)</sup> |
|---------------------|-----|---------------------------------------------------|--------------------------------------|------------------------------------------------|------------------------------------------------------------|-----------|-----------------------------------------------------------|
|                     |     | Executive<br>Contributions in<br>Last Fiscal Year | Contributions in<br>Last Fiscal Year | Earnings in<br>Last Fiscal Year <sup>(1)</sup> | Aggregate<br>Withdrawals /<br>Distributions <sup>(2)</sup> |           |                                                           |
| Pierce H. Norton II |     | 2018                                              | \$ 93,000                            | \$ 80,280                                      | \$ (76,114)                                                | \$ -      | \$ 1,326,826                                              |
|                     |     | 2017                                              | \$ 65,400                            | \$ 67,200                                      | \$ 181,351                                                 | \$ 43,028 | \$ 1,229,660                                              |
|                     |     | 2016                                              | \$ 96,860                            | \$ 84,960                                      | \$ 72,117                                                  | \$ 9,260  | \$ 958,737                                                |
| Curtis L. Dinan     | (6) |                                                   |                                      |                                                |                                                            |           |                                                           |
|                     |     | 2018                                              | \$ 34,800                            | \$ 938,318                                     | \$ 33,965                                                  | \$ -      | \$ 20,157,682                                             |
|                     | (5) | 2017                                              | \$ 41,360                            | \$ 757,869                                     | \$ (1,524,917)                                             | \$ -      | \$ 19,150,599                                             |
|                     | (4) |                                                   |                                      |                                                |                                                            |           |                                                           |
|                     |     | 2016                                              | \$ 62,780                            | \$ 658,049                                     | \$ 9,950,101                                               | \$ -      | \$ 19,876,287                                             |

Edgar Filing: ONE Gas, Inc. - Form DEF 14A

|                  |      |            |           |             |          |              |
|------------------|------|------------|-----------|-------------|----------|--------------|
| Caron A. Lawhorn | 2018 | \$ 54,750  | \$ 23,700 | \$ (12,876) | \$ 5,279 | \$ 1,440,763 |
|                  | 2017 | \$ 166,290 | \$ 20,460 | \$ 85,128   | \$ 5,307 | \$ 1,380,468 |
|                  | 2016 | \$ 167,500 | \$ 28,620 | \$ 34,509   | \$ 5,220 | \$ 1,113,897 |

|                     |      |           |           |          |      |            |
|---------------------|------|-----------|-----------|----------|------|------------|
| Robert S. McAnnally | 2018 | \$ 18,250 | \$ 38,463 | \$ 3,283 | \$ - | \$ 224,816 |
|                     | 2017 | \$ 63,270 | \$ 34,028 | \$ 7,654 | \$ - | \$ 164,820 |
|                     | 2016 | \$ 38,180 | \$ 19,278 | \$ 2,410 | \$ - | \$ 59,868  |

|                     |      |            |           |             |      |              |
|---------------------|------|------------|-----------|-------------|------|--------------|
| Joseph L. McCormick | 2018 | \$ 94,000  | \$ 34,713 | \$ (51,039) | \$ - | \$ 1,083,936 |
|                     | 2017 | \$ 126,700 | \$ 29,003 | \$ 150,663  | \$ - | \$ 1,006,262 |
|                     | 2016 | \$ 138,620 | \$ 20,645 | \$ 58,861   | \$ - | \$ 699,896   |

(1) The All Other Compensation column of the Summary Compensation Table at page 53 includes these amounts paid under our NQDC Plan as our excess matching contributions with respect to our 401(k) Plan and excess quarterly and annual company contributions, if applicable, with respect to our Profit Sharing Plan.

(2) There were no above-market earnings in 2018, 2017, or 2016.

(3) Includes amounts previously reported in the Summary Compensation Table in the previous years when earned, if that officer's compensation was required to be disclosed in a previous year. Amounts reported in such years include previously earned, but deferred, salary and annual incentive awards, company matching contributions, and shares that were deferred upon vesting and the dividend equivalents accumulated on these deferrals.

(4) Includes the value of 25,130 ONEOK shares the receipt of which was deferred by Mr. Dinan upon vesting in January 2010, 27,594 ONEOK shares the receipt of which was deferred by Mr. Dinan upon vesting in January 2011, 74,504 ONEOK shares the receipt of which was deferred upon vesting in January 2012, 56,000 ONEOK shares the receipt of which was deferred upon vesting in January 2013, and 48,738 ONE Gas shares issued upon our separation from ONEOK, in the case of 2010, 2011, 2012 and 2013, under the deferral provisions of ONEOK's Equity Compensation Plan, plus the dividend accumulation on these deferrals for a year-end deferred share balance of 201,805, 215,182 and 231,081 for 2014, 2015, and 2016, respectively, in ONEOK shares and 49,849, 51,221 and 52,430 for 2014, 2015 and 2016, respectively, in ONE Gas shares.

(5) Includes the value of 25,130 ONEOK shares the receipt of which was deferred by Mr. Dinan upon vesting in January 2010, 27,594 ONEOK shares the receipt of which was deferred by Mr. Dinan upon vesting in January 2011, 74,504 ONEOK shares the receipt of which was deferred upon vesting in January 2012, 56,000 ONEOK shares the receipt of which was deferred upon vesting in January 2013, and 48,738 ONE Gas shares issued upon our separation from ONEOK, in the case of 2010, 2011, 2012 and 2013, under the deferral provisions of ONEOK's Equity Compensation Plan, plus the dividend accumulation on these deferrals for a year-end deferred share balance

of 215,182, 231,081 and 243,227 for 2015, 2016, and 2017, respectively, in ONEOK shares and 51,221, 52,430 and 53,666 for 2015, 2016 and 2017, respectively, in ONE Gas shares.

(6) Includes the value of 25,130 ONEOK shares the receipt of which was deferred by Mr. Dinan upon vesting in January 2010, 27,594 ONEOK shares the receipt of which was deferred by Mr. Dinan upon vesting in January 2011, 74,504 ONEOK shares the receipt of which was deferred upon vesting in January 2012, 56,000 ONEOK shares the receipt of which was deferred upon vesting in January 2013, and 48,738 ONE Gas shares issued upon our separation from ONEOK, in the case of 2010, 2011, 2012 and 2013, under the deferral provisions of ONEOK's Equity Compensation Plan, plus the dividend accumulation on these deferrals for a year-end deferred share balance of 231,081, 243,227 and 255,985 for 2016, 2017, and 2018, respectively, in ONEOK shares and 52,430, 53,666 and 54,992 for 2016, 2017 and 2018, respectively, in ONE Gas shares.



**Table of Contents**

We maintain a NQDC Plan to provide select employees with the option to defer portions of their compensation and provide nonqualified deferred compensation benefits that are not otherwise available due to limitations on employer and employee contributions to qualified defined contribution plans under the federal tax laws. We match contributions for the benefit of plan participants to replace any company contributions a participant may lose because of limits imposed under the federal tax laws on contributions by a participant in the 401(k) Plan and our Profit Sharing Plan, as well as participants in the Qualified Pension Plan who do not participate in the SERP.

The NQDC Plan also allows for supplemental credit amounts, which are amounts that can be contributed at the discretion of the Committee. Under the NQDC Plan, participants have the option to defer a portion of their salary and/or STI compensation to a short-term deferral account, which pays out a minimum of five years from the date of election to defer compensation into the short-term deferral account, or to a long-term deferral account, which pays out at retirement or termination of the participant's employment. Participants are immediately 100 percent vested. Short-term and Long-term deferral accounts are credited with the actual investment return based on the amount of gains, losses and earnings for each of the investment options selected by the participant. For the year ended December 31, 2018, the investment return for the investment options for short-term and long-term investment accounts were as follows:

| Fund Name                                     | Plan Level<br>Returns |
|-----------------------------------------------|-----------------------|
| American Beacon Large Cap Value Instl (AADEX) | -11.99%               |
| Carillon Scout Mid Cap I                      | -9.74%                |
| 5-Year Treasury Note Bond Fund (Fixed Rate)   | 2.25%                 |
| Delaware Small Cap Value Instl (DEVIX)        | -17.35%               |

|                                         |         |
|-----------------------------------------|---------|
| Dodge & Cox International Stock (DODFX) | -17.98% |
| Federated Government Obligation (GOIXX) | 1.70%   |
| Fidelity Balanced K (FBAKX)             | -3.94%  |
| JPMorgan Large Cap Growth R6 (JLGMX)    | .57%    |
| JPMorgan Small Cap Equity R5 (VSEIX)    | -8.83%  |
| PIMCO Total Return Instl (PTTRX)        | 5.13%   |
| TCW Total Return Bond I (TGLMX)         | .80%    |
| Vanguard Institutional Index I (VINIX)  | -4.42%  |
| Vanguard PRIMECAP Adm (VPMAX)           | -1.94%  |
| Schwab Managed Retirement Tr Fd 2010 V  | -2.74%  |
| Schwab Managed Retirement Tr Fd 2015 V  | -2.97%  |

|                                        |        |
|----------------------------------------|--------|
| Schwab Managed Retirement Tr Fd 2020 V | -3.51% |
| Schwab Managed Retirement Tr Fd 2025 V | -4.68% |
| Schwab Managed Retirement Tr Fd 2030 V | -5.65% |
| Schwab Managed Retirement Tr Fd 2035 V | -6.52% |
| Schwab Managed Retirement Tr Fd 2040 V | -7.33% |
| Schwab Managed Retirement Tr Fd 2045 V | -8.00% |
| Schwab Managed Retirement Tr Fd 2050 V | -8.37% |
| Schwab Managed Retirement Tr Fd 2055 V | -8.60% |
| Schwab Managed Retirement Tr Fd Inc V  | -1.76% |

At the distribution date, cash is distributed to participants based on the fair market value of the deemed investment of the participant's accounts at that date. We fund benefits payable under the NQDC Plan through a rabbi trust arrangement.

|           |                                                                                        |
|-----------|----------------------------------------------------------------------------------------|
| <b>60</b> | <b>ONE Gas, Inc.</b> Notice of 2019 Annual Meeting of Shareholders and Proxy Statement |
|-----------|----------------------------------------------------------------------------------------|

**Table of Contents**

**POTENTIAL POST-EMPLOYMENT PAYMENTS AND PAYMENTS UPON A CHANGE IN CONTROL**

Described below are the post-employment compensation and benefits that we provide to our NEOs. The objectives of these compensation and benefits are to:

assist in recruiting and retaining talented executives in a competitive market;

provide security for any compensation or benefits that have been earned;

permit executives to focus on our business;

eliminate any potential personal bias of an executive against a transaction that is in the best interests of our stakeholders;

avoid the costs associated with separately negotiating executive severance benefits; and

provide us with the flexibility needed to react to a continually changing business environment.

We do not enter into individual employment agreements with our executive officers. Instead, in general, the rights of our executives with respect to specific events are covered by our compensation and benefit plans. Under this approach, post-employment compensation and benefits are established separately from the other compensation elements of our executives.

The use of a plan approach instead of individual employment agreements serves two objectives. First, the plan approach provides us with more flexibility to change the terms of severance benefits from time to time if necessary. Second, the plan approach is more transparent, both internally and externally. Internal transparency eliminates the need to negotiate separation benefits on a case-by-case basis and assures an executive that his or her severance benefits are comparable with those of his or her peers.

***Payments Made Upon Any Termination.*** Regardless of the manner in which an NEO's employment terminates, he or she is entitled to receive amounts earned during his or her term of employment. These amounts include:

accrued but unpaid salary;

amounts contributed under our 401(k) Plan, Profit Sharing Plan and NQDC Plan; and

amounts accrued and vested through our Qualified Pension Plan and SERP.

***Payments Made Upon Retirement.*** In the event of the retirement of an NEO, in addition to the items identified above, such NEO will be entitled to:

receive a prorated share of each outstanding performance unit granted under our ECP upon completion of the performance period;

receive a prorated portion of each outstanding RSU granted under our ECP;

receive a prorated portion of the outstanding STI upon completion of the plan year; and

participate, along with his or her qualifying dependents, in post-retirement health and life benefits.

***Payments Made Upon Death or Disability.*** In the event of the death or disability of an NEO, in addition to the benefits listed under the headings *Payments Made Upon Any Termination* and *Payments Made Upon Retirement* above, the NEO will receive applicable benefits under our disability plan or payments under our life insurance plan.

***Payments Made Upon a Termination Without Cause (Other than Following a CIC).*** In the event of an involuntary termination without cause (other than a qualifying termination following a CIC), an NEO will receive a prorated portion of each outstanding RSU granted under our ECP upon the date of termination. Outstanding PSUs are forfeited.

***Payments Made Upon a Qualifying Termination Within Two Years Following a CIC.*** We believe that the possibility of a CIC creates uncertainty for executive officers because such transactions frequently result in changes in senior management. Our Board has adopted a CIC severance plan (the *Change in Control Plan*) that covers all of our executive officers, including the NEOs. Subject to certain exceptions, the Change in Control Plan will provide our officers with severance benefits if they are terminated by us without cause (as defined below) or if they resign for good reason (as defined below), in each case within two years following a CIC of ONE Gas. All CIC benefits are double trigger, meaning that payments and benefits under the plan are payable only if the officer's employment is terminated by us without cause or by the officer for a good reason at any time during the two years following a CIC. Severance payments under the plan consist of a cash payment that may be up to three times the participant's base salary and target STI award, plus reimbursement of COBRA healthcare premiums for 18 months. Our Board, upon the recommendation of the Committee, established a severance multiplier of one, two or three times annual salary plus target annual award for all participants in the Change in Control Plan, including three times for the CEO and two times for each of the other NEOs.

The Change in Control Plan does not provide for additional pension benefits upon a CIC. In addition, the Change in Control Plan does not contain an excise tax gross-up for any participant. Rather, severance payments and benefits under the Change in Control Plan will be reduced if, as a result of such reduction, the officer would receive a greater total payment after taking taxes, including excise taxes, into account.

In the event of a qualifying termination following a CIC, an NEO will receive all outstanding RSUs and PSUs granted under our ECP upon the date of termination.

**Table of Contents**

For the purposes of the Change in Control Plan, a "CIC" generally means any of the following events:

an acquisition of our voting securities by any person that results in the person having beneficial ownership of 20 percent or more of the combined voting power of our outstanding voting securities, other than an acquisition directly from us;

the current members of our Board, and any new director approved by a vote of at least two-thirds of our Board, cease for any reason to constitute at least a majority of our Board, other than in connection with an actual or threatened proxy contest (collectively, the "Incumbent Board");

the consummation of a merger, consolidation or reorganization with us or in which we issue securities, unless (a) our shareholders immediately before the transaction, as a result of the transaction, directly or indirectly own at least 50 percent of the combined voting power of the voting securities of the company resulting from the transaction, (b) the members of our Incumbent Board, after the execution of the transaction agreement, constitute at least a majority of the members of the Board of the company resulting from the transaction, or (c) no person other than persons who, immediately before the transaction owned 20 percent or more of our outstanding voting securities, has beneficial ownership of 20 percent or more of the outstanding voting securities of the company resulting from the transaction; or

our complete liquidation or dissolution or the sale or other disposition of all or substantially all of our assets. For the purposes of the Change in Control Plan, termination for "cause" means a termination of employment of a participant in the Change in Control Plan by reason of:

a participant's indictment for or conviction in a court of law of a felony, crime, or offense involving misuse or misappropriation of money or property;

a participant's violation of any covenant, agreement or obligation not to disclose confidential information regarding the business of the company (or a division or subsidiary) or a participant's violation of any covenant, agreement or obligation not to compete with the company (or a division or subsidiary);

any act of dishonesty by a participant that adversely affects the business of the company (or a division or subsidiary) or any willful or intentional act of a participant that adversely affects the business, or reflects unfavorably on the reputation, of the company (or a division or subsidiary);

a participant's material violation of any written policy of the company (or a division or subsidiary); or

a participant's failure or refusal to perform the specific directives of the Board or its officers, which are consistent with the scope and nature of the participant's duties and responsibilities, to be determined in the Board's sole discretion.

For the purposes of the Change in Control Plan, "good reason" means:

a participant's demotion or material reduction of the participant's significant authority or responsibility with respect to employment with the company as of the date the CIC occurred;

a material reduction in the participant's base salary as of the date immediately prior to the CIC;

a material reduction in STI and/or LTI targets from those applicable to the participant immediately prior to the CIC;

the relocation to a new principal place of employment of the participant's employment by the company, which is more than 35 miles farther from the participant's principal place of employment prior to such change; and

the failure of a successor company to explicitly assume the Change in Control Plan.

**62**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement



**Table of Contents**

**Potential Post-Employment Payments Tables.** The following tables reflect estimates of the incremental amount of compensation due each NEO in the event of such executive's termination of employment by reason of death, disability or retirement, termination of employment without cause, or a qualifying termination within two years following a CIC. The amounts shown assume that such termination was effective as of December 31, 2018, and are estimates of the amounts that would be paid to the executives upon such termination, including, with respect to PSUs, the performance factor calculated as if the performance period ended on December 31, 2018. The amounts reflected in the Qualifying Termination Following a Change in Control column of the following tables are amounts that would be paid pursuant to our Change in Control Plan and, with respect to the PSUs, assume achievement of a performance factor at the target of 100 percent.

| Pierce H. Norton II            | Termination Upon<br>Death, Disability or<br>Retirement | Termination<br>Without Cause | Qualifying<br>Termination<br>Following a Change<br>in Control |
|--------------------------------|--------------------------------------------------------|------------------------------|---------------------------------------------------------------|
| Cash Severance                 | \$ -                                                   | \$ -                         | \$ 4,650,000                                                  |
| Short-Term Incentive           | \$ 775,000                                             | \$ -                         | \$ 775,000                                                    |
| Health and Welfare<br>Benefits | \$ -                                                   | \$ -                         | \$ 31,142                                                     |
| Equity                         |                                                        |                              |                                                               |
| Restricted Unit                | \$ 743,534                                             | \$ 743,534                   | \$ 1,221,359                                                  |

|                  |              |      |              |
|------------------|--------------|------|--------------|
| Performance Unit | \$ 5,943,217 | \$ - | \$ 4,881,343 |
|------------------|--------------|------|--------------|

|       |              |            |              |
|-------|--------------|------------|--------------|
| Total | \$ 6,686,751 | \$ 743,534 | \$ 6,102,702 |
|-------|--------------|------------|--------------|

|       |              |            |               |
|-------|--------------|------------|---------------|
| Total | \$ 7,461,751 | \$ 743,534 | \$ 11,558,844 |
|-------|--------------|------------|---------------|

| Curtis L. Dinan | Termination<br>Upon<br>Death, Disability or<br>Retirement |      | Qualifying<br>Termination<br>Following a Change<br>Without Cause in Control |              |
|-----------------|-----------------------------------------------------------|------|-----------------------------------------------------------------------------|--------------|
|                 |                                                           |      |                                                                             |              |
| Cash Severance  | \$ -                                                      | \$ - | \$ -                                                                        | \$ 1,435,500 |

|                      |            |      |            |
|----------------------|------------|------|------------|
| Short-Term Incentive | \$ 282,750 | \$ - | \$ 282,750 |
|----------------------|------------|------|------------|

|                                |      |      |           |
|--------------------------------|------|------|-----------|
| Health and Welfare<br>Benefits | \$ - | \$ - | \$ 27,609 |
|--------------------------------|------|------|-----------|

Equity

|                 |    |         |    |         |    |         |
|-----------------|----|---------|----|---------|----|---------|
| Restricted Unit | \$ | 203,008 | \$ | 203,008 | \$ | 323,580 |
|-----------------|----|---------|----|---------|----|---------|

Performance Unit      \$ 1,624,060    \$            -    \$ 1,294,318

|       |    |           |    |         |    |           |
|-------|----|-----------|----|---------|----|-----------|
| Total | \$ | 1,827,068 | \$ | 203,008 | \$ | 1,617,898 |
|-------|----|-----------|----|---------|----|-----------|

Total                              \$ 2,109,818    \$ 203,008    \$ 3,363,757

| Caron A. Lawhorn | Termination<br>Upon<br>Death, Disability or<br>Retirement | Termination<br>Without Cause | Qualifying<br>Termination<br>Following a Change<br>in Control |
|------------------|-----------------------------------------------------------|------------------------------|---------------------------------------------------------------|
| Cash Severance   | \$            -                                           | \$            -              | \$ 1,204,500                                                  |

Short-Term Incentive      \$ 237,250    \$            -    \$ 237,250

|                             |    |   |    |   |    |        |
|-----------------------------|----|---|----|---|----|--------|
| Health and Welfare Benefits | \$ | - | \$ | - | \$ | 27,609 |
|-----------------------------|----|---|----|---|----|--------|

Equity

|                 |    |         |    |         |    |         |
|-----------------|----|---------|----|---------|----|---------|
| Restricted Unit | \$ | 201,354 | \$ | 201,354 | \$ | 317,625 |
|-----------------|----|---------|----|---------|----|---------|

|                  |    |           |    |   |    |           |
|------------------|----|-----------|----|---|----|-----------|
| Performance Unit | \$ | 1,610,738 | \$ | - | \$ | 1,270,338 |
|------------------|----|-----------|----|---|----|-----------|

|       |    |           |    |         |    |           |
|-------|----|-----------|----|---------|----|-----------|
| Total | \$ | 1,812,092 | \$ | 201,354 | \$ | 1,587,963 |
|-------|----|-----------|----|---------|----|-----------|

|       |    |           |    |         |    |           |
|-------|----|-----------|----|---------|----|-----------|
| Total | \$ | 2,049,342 | \$ | 201,354 | \$ | 3,057,322 |
|-------|----|-----------|----|---------|----|-----------|

**Table of Contents**

| Robert S. McAnnally            | Termination<br>Upon<br>Death, Disability or<br>Retirement | Termination<br>Without Cause | Qualifying<br>Termination<br>Following a Change<br>in Control |
|--------------------------------|-----------------------------------------------------------|------------------------------|---------------------------------------------------------------|
| Cash Severance                 | \$ -                                                      | \$ -                         | \$ 1,204,500                                                  |
| Short-Term Incentive           | \$ 237,250                                                | \$ -                         | \$ 237,250                                                    |
| Health and Welfare<br>Benefits | \$ -                                                      | \$ -                         | \$ 21,575                                                     |
| Equity                         |                                                           |                              |                                                               |
| Restricted Unit                | \$ 173,523                                                | \$ 173,523                   | \$ 283,737                                                    |
| Performance Unit               | \$ 1,377,468                                              | \$ -                         | \$ 1,128,425                                                  |
| Total                          | \$ 1,550,991                                              | \$ 173,523                   | \$ 1,412,162                                                  |

|       |              |            |              |
|-------|--------------|------------|--------------|
| Total | \$ 1,788,241 | \$ 173,523 | \$ 2,875,487 |
|-------|--------------|------------|--------------|

| Joseph L. McCormick | Termination<br>Upon<br>Death, Disability or Retirement |               | Qualifying Termination<br>Following a Change of Control |               |
|---------------------|--------------------------------------------------------|---------------|---------------------------------------------------------|---------------|
|                     | Without Cause                                          | Without Cause | Without Cause                                           | Without Cause |
| Cash Severance      | \$ -                                                   | \$ -          | \$ 1,054,000                                            |               |

|                      |            |      |            |
|----------------------|------------|------|------------|
| Short-Term Incentive | \$ 187,000 | \$ - | \$ 187,000 |
|----------------------|------------|------|------------|

|                             |      |      |      |
|-----------------------------|------|------|------|
| Health and Welfare Benefits | \$ - | \$ - | \$ - |
|-----------------------------|------|------|------|

#### Equity

|                 |            |            |            |
|-----------------|------------|------------|------------|
| Restricted Unit | \$ 159,948 | \$ 159,948 | \$ 262,894 |
|-----------------|------------|------------|------------|

Edgar Filing: ONE Gas, Inc. - Form DEF 14A

|                  |              |      |              |
|------------------|--------------|------|--------------|
| Performance Unit | \$ 1,281,117 | \$ - | \$ 1,051,706 |
|------------------|--------------|------|--------------|

|       |              |            |              |
|-------|--------------|------------|--------------|
| Total | \$ 1,441,065 | \$ 159,948 | \$ 1,314,600 |
|-------|--------------|------------|--------------|

|       |              |            |              |
|-------|--------------|------------|--------------|
| Total | \$ 1,628,065 | \$ 159,948 | \$ 2,555,600 |
|-------|--------------|------------|--------------|

**64**      **ONE Gas, Inc.** Notice of 2019 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents****CEO PAY RATIO FOR 2018**

In accordance with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted Regulation S-K Item 402(u) requiring registrants to disclose (i) the median of the annual total compensation of all employees of the registrant, except the principal executive officer, (ii) the annual total compensation of the principal executive officer of the registrant, and (iii) the ratio of the median of the annual total compensation of all employees of the registrant to the principal executive officer's annual total compensation (the CEO Pay Ratio).

We used the same median employee as disclosed in our pay ratio disclosure in our 2018 Proxy Statement as there have been no changes in our employee population, employee compensation arrangements or the median employee's position that we reasonably believe would result in a significant change to our pay ratio disclosure. In 2018, we identified the median employee using the total cash compensation for all our employees (whether full-time, part-time, seasonal or temporary) other than the CEO who were employed and received Form W-2 Box 1 earnings as of December 31, 2017. Specifically, we used Form W-2 Box 1 compensation minus any compensation received from the vesting of LTIs (i.e., PSU and RSU vestings) in 2018. We excluded any compensation related to LTIs since PSUs and RSUs are not widely used throughout the company. Less than 5 percent of our employee population receive LTI grants. We did not annualize the compensation for any partial year permanent employees. Since annual short-term incentives are used widely throughout our employee population, we believe total cash compensation which includes short-term incentives is a consistently applied compensation measure that is the most representative measure of compensation for identifying our median employee. No other estimates, assumptions or adjustments were used in identifying our median employee.

After we identified our median employee, we calculated the median employee's annual total compensation in the same manner we calculate the annual total compensation of the NEOs in the Summary Compensation Table which includes base salary plus overtime, if any, short-term incentives, change in pension value and all other compensation. We then calculated the ratio of the CEO's annual total compensation (\$4,222,330) to the median employee's annual total compensation (\$88,565). The ratio between the annual total compensation of our CEO to the median of the annual total compensation of all of our employees is 48:1. This ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K. We believe the methodology, assumptions, and estimates described above to be reasonable given our specific employee population. The SEC rules grant companies flexibility in determining the methodology, assumptions and estimates used to comply with the requirements of this disclosure. As acknowledged by the SEC, this flexibility could reduce the comparability of disclosed pay ratios across companies and our pay ratio may not necessarily be representative or comparable to the ratios disclosed by other companies.



---

**Table of Contents**

**PROPOSAL 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION**

**INTRODUCTION**

At our 2015 Annual Meeting of Shareholders, a substantial majority of our shareholders voted for an annual say on pay vote. As a result, we intend to provide our shareholders with an annual, non-binding advisory say on pay vote on executive compensation until the next required non-binding advisory vote on the frequency of future advisory say on pay votes as required by the rules of the SEC.

**OUR EXECUTIVE COMPENSATION PROGRAM**

As described in the Compensation Discussion and Analysis section of this proxy statement and the compensation tables and narratives discussion set forth above, our executive compensation program is based on our pay-for-performance philosophy and is designed with the following goals in mind:

to align the interests of our executive officers with the interests of our stakeholders;

to attract, retain and motivate executives who are critical to the successful implementation of our strategic plan;

to pay our executives fairly relative to our industry peers based on their responsibilities, experience and performance; and

to implement sound governance practices by implementing executive compensation best practices and policies.

Our Executive Compensation Committee regularly reviews the compensation program for our NEOs to assess their effectiveness in delivering these goals.

Examples of how the various elements of our compensation program for our NEOs are linked to company performance and are designed to achieve the goals set forth above include:

a substantial portion of our NEOs' compensation is variable or at-risk incentive compensation, meaning that it is tied to our performance relative to various short-term and long-term objectives, which are based on a number of financial and business goals;

awards to each executive officer are subject to fixed maximums established by our Executive Compensation Committee;

incentive awards are based on a review of a variety of indicators of performance, thus diversifying the risk associated with any single indicator of performance;

STI and LTI awards are not tied to formulas that are designed to focus executives on specific short- and intermediate-term outcomes;

the Executive Compensation Committee approves the final annual incentive plan awards after the review and confirmation of executive and operating and financial performance;

STI and LTI awards are subject to clawback provisions as described on page 50;

for executive officers, a significant portion of incentive award value is delivered in the form of our stock-based compensation that vests over multiple years;

for executive officers, approximately 80 percent of the long-term, stock-based incentive amounts are in the form of PSUs; and

executive officers are subject to our share-ownership guidelines, described on page 49.

For additional information on the compensation program for our NEOs, including specific information about compensation in fiscal year 2018, please read the Compensation Discussion and Analysis, along with the subsequent tables and narrative descriptions, beginning on page 40.

For the reasons discussed above, the Board recommends that shareholders vote in favor of the following resolution:

RESOLVED, that the shareholders hereby approve, on an advisory basis, the compensation paid to the NEOs, as disclosed in the company's proxy statement for the 2019 Annual Meeting of Shareholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

**Table of Contents**

**VOTE REQUIRED AND BOARD RECOMMENDATION**

This vote is advisory and will not be binding on the company, our Board or our Executive Compensation Committee. Our Board and our Executive Compensation Committee value the opinions of our shareholders and, to the extent there is any significant vote against the NEO compensation as disclosed in this proxy statement, we will consider our shareholders' concerns, and the Executive Compensation Committee will evaluate whether any actions are necessary to address those concerns.

Approval of this proposal requires the affirmative vote of the holders of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on the proposal at the meeting. Abstentions will have the same effect as votes against this proposal and broker non-votes do not count as present and entitled to vote for purposes of determining the outcome of the vote on this proposal.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE **FOR** THE APPROVAL OF THE COMPENSATION OF OUR NEOs, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO ITEM 402 OF REGULATION S-K, INCLUDING THE COMPENSATION DISCUSSION AND ANALYSIS, THE COMPENSATION TABLES AND THE RELATED NARRATIVE DISCUSSION.**

**Table of Contents**

**RELATED-PERSON TRANSACTIONS**

Our Board recognizes that transactions in which we participate and in which a related person (executive officer, director, director nominee, five percent or greater shareholder and their immediate family members) has a direct or indirect material interest can present potential or actual conflicts of interest and create the appearance that company decisions are based on considerations other than the best interests of the company and its shareholders. Accordingly, as a general matter, it is our preference to avoid related-person transactions. Nevertheless, we recognize that there are situations where related-person transactions may be in, or may be consistent with, the best interests of the company and its shareholders including, but not limited to, situations where we provide products or services to related persons on an arm's length basis and on terms comparable with those provided to unrelated third parties.

In the event we enter into a transaction in which an executive officer (other than an employment relationship), director (other than compensation arrangements for service on our Board provided to each director), director nominee, five percent or greater shareholder, or a member of their immediate family has a direct or indirect material interest, the transaction is presented to our Audit Committee and, if warranted, our Board, for review to determine if the transaction creates a conflict of interest and, if so, is otherwise fair to the company. In determining whether a particular transaction creates a conflict of interest and, if so, that is fair to the company, our Audit Committee and, if warranted, our Board, consider the specific facts and circumstances applicable to each such transaction, including: the parties to the transaction, their relationship to the company and nature of their interest in the transaction; the nature of the transaction; the aggregate value of the transaction; the length of the transaction; whether the transaction occurs in the normal course of our business; the benefits to our company provided by the transaction; if applicable, the availability of other sources of comparable products or services; and, if applicable, whether the terms of the transaction, including price or other consideration, are the same or substantially the same as those available to the company if the transaction were entered into with an unrelated party.

We require each executive officer and director to annually provide us written disclosure of any transaction in which we participate and in which the officer or director or any of his or her immediate family members has a direct or indirect material interest. Our Corporate Governance Committee reviews our disclosure of related-party transactions in connection with its annual review of director independence. These procedures are not in writing but are documented through the meeting agendas and minutes of our Audit and Corporate Governance Committees.

---

**Table of Contents**

**ABOUT THE 2019 ANNUAL MEETING**

The following questions and answers are provided for your convenience and briefly address some commonly asked questions about our 2019 Annual Meeting of Shareholders. Please also consult the more detailed information contained elsewhere in this proxy statement and the documents referred to in this proxy statement.

**Why did I receive these proxy materials?**

We are providing these proxy materials in connection with the solicitation by the Board of ONE Gas, Inc. of proxies to be voted at our 2019 Annual Meeting of Shareholders and at any adjournment or postponement of the meeting. You are invited to attend our Annual Meeting of Shareholders on May 23, 2019, at 9:00 a.m., Central Daylight Time. The meeting will be held at our company headquarters at ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2<sup>nd</sup> Floor, Tulsa, Oklahoma 74103. For directions to the meeting, please visit our website at [www.ONEGas.com](http://www.ONEGas.com).

**Who may attend and vote at the annual meeting?**

All shareholders who held shares of our common stock at the close of business on March 25, 2019, may attend and vote at the meeting. If your shares are held in the name of a broker, bank, or other holder of record, often referred to as being held in street name, bring a copy of your brokerage account statement or legal proxy, which you may obtain from your broker, bank, or other holder of record of your shares.

Please note: no cameras, recording equipment, large bags, weapons, briefcases or packages will be permitted in the meeting.

**Will the annual meeting be webcast?**

Our annual meeting also will be webcast on May 23, 2019. You are invited to visit [www.ONEGas.com](http://www.ONEGas.com) at 9:00 a.m., Central Daylight Time, on May 23, 2019, to access the webcast of the meeting. Registration for the webcast is required. An archived copy of the webcast will also be available on our website for 30 days following the meeting.

**How do I vote?**

If you were a shareholder of record at the close of business on the record date of March 25, 2019, you have the right to vote the shares of record you held that day in person at the meeting or you may appoint a proxy through the internet, by telephone or by mail to vote your shares on your behalf. The internet and telephone methods of voting generally are available 24 hours a day and will ensure that your proxy is confirmed and posted immediately. These methods of voting are also available to shareholders who hold their shares in our Direct Stock Purchase and Dividend Reinvestment Plan, our Employee Stock Purchase Plan, our 401(k) Plan and our Profit Sharing Plan. In addition, these voting methods are available to ONEOK employees who own our shares in the ONEOK, Inc. 401(k) Plan (the ONEOK Plan). You may revoke your proxy any time before the annual meeting by following the procedures outlined below under the caption "What can I do if I change my mind after I vote my shares by proxy?" Please help us save time and postage costs by appointing a proxy via the internet or by telephone.

When you appoint a proxy via the internet, by telephone or by mailing a signed proxy card, you are appointing John W. Gibson, Chairman of the Board and Joseph L. McCormick, Senior Vice President, General Counsel and Assistant Secretary, as your representatives at the annual meeting, and they will vote your shares as you have instructed them. If you appoint a proxy via the internet, by telephone or by mailing a signed proxy card but do not provide voting

instructions, your shares will be voted *for* the election of each proposed nine director nominees named herein, and *for* proposal numbers 2 and 3.

To appoint a proxy to vote your shares on your behalf, please select from the following options:

**Via the internet**

Go to the website at [www.proxypush.com/ogs](http://www.proxypush.com/ogs), which is available 24 hours a day, 7 days a week, until 11:59 p.m. (Central Daylight Time) on May 22, 2019.

Enter the control number that appears on your proxy card. This process is designed to verify that you are a shareholder and allows you to vote your shares and confirm that your instructions have been properly recorded.

Follow the simple instructions.

**If you appoint a proxy via the internet, you do not have to return your proxy card.**

**By telephone**

On a touch-tone telephone, call toll-free **1.866.883.3382**, 24 hours a day, 7 days a week, until 11:59 p.m. (Central Daylight Time) on May 22, 2019.

Enter the control number that appears on your proxy card. This process is designed to verify that you are a shareholder and allows you to vote your shares and confirm that your instructions have been properly recorded.

## **Table of Contents**

Follow the simple recorded instructions.

If you appoint a proxy by telephone, you do not have to return your proxy card.

### **By mail**

Mark your selections on the proxy card.

Date and sign your name exactly as it appears on your proxy card.

Mail the proxy card in the enclosed postage-paid envelope.

If mailed, your completed and signed proxy card must be received prior to the commencement of voting at the annual meeting.

### **What if my shares are held by my broker, bank or another holder of record?**

If your shares are held in a brokerage account, by a bank or another holder of record, your shares are considered to be held in street name. If you held shares in street name as of the record date of March 25, 2019, this proxy statement and our 2018 annual report to shareholders should have been forwarded to you by your bank, broker or other holder of record, together with a voting instruction card. You have the right to direct your bank, broker or other holder of record how to vote your shares by using the voting instruction card you received from your bank, broker or other holder of record, or by following any instructions provided by your bank, broker or other holder of record for voting via the internet or telephone.

**Under the rules of the NYSE, unless you provide your bank, broker or other holder of record with your instructions on how to vote your shares, your bank, broker or other holder of record is prohibited from:**

(1) voting your shares in the election of directors; and

(2) voting on the advisory vote to approve executive compensation.

**However, your bank, broker or other holder of record can vote on the ratification of the selection of our independent registered public accounting firm.**

**Consequently, unless you respond to their request for your voting instructions in a timely manner, your shares held by your bank, broker or other holder of record will not be voted on any of these matters (which is referred to as a broker non-vote), except the ratification of the selection of our independent registered public accounting firm. Please provide your voting instructions so that your shares may be voted.**

### **What can I do if I change my mind after I vote my shares by proxy?**

If you were a shareholder of record at the close of business on the record date, you have the right to revoke your proxy at any time before it is voted at the meeting by:

- (1) notifying our corporate secretary in writing;
- (2) authorizing a later proxy via the internet or by telephone;
- (3) returning a later-dated proxy card; or
- (4) voting at the meeting in person.

If your shares are held by your bank, broker or other holder of record you may revoke any voting instructions you may have previously provided only in accordance with revocation instructions provided by the bank, broker or other holder of record.

#### **Is my vote confidential?**

Proxy cards, ballots and voting tabulations that identify individual shareholders are mailed and returned directly to our stock transfer agent who is responsible for tabulating the vote in a manner that protects your voting privacy. It is our policy to protect the confidentiality of shareholder votes throughout the voting process. The vote of any shareholder will not be disclosed to our directors, officers or employees, except:

- (1) to meet legal requirements;
- (2) to assert or defend claims for or against us; or
- (3) in those limited circumstances where:
  - (a) a proxy solicitation is contested (which, to our knowledge, is not the case in connection with the 2019 annual meeting),
  - (b) a shareholder writes comments on a proxy card, or
  - (c) a shareholder authorizes disclosure.



## **Table of Contents**

The vote tabulator and the inspector of election has been, and will remain, independent of us. This policy does not prohibit shareholders from disclosing the nature of their votes to our directors, officers or employees, or prevent us from voluntarily communicating with our shareholders, ascertaining which shareholders have voted or making efforts to encourage shareholders to vote.

### **How is common stock held in our 401(k) Plan, our Profit Sharing Plan and the ONEOK Plan voted?**

If you hold shares of our common stock through our 401(k) Plan, our Profit Sharing Plan or the ONEOK Plan, in order for those shares to be voted as you wish, you must instruct the trustee of these plans, Fidelity Management Trust Company, how to vote those shares by providing your instructions via the internet, by telephone or by mail in the manner outlined above. If you fail to provide your instructions, or if you return an instruction card with an unclear voting designation or with no voting designation at all, then the trustee will vote the shares in your account in proportion to the way the other participants in each respective plan vote their shares. These votes receive the same confidentiality as all other shares voted.

**To allow sufficient time for voting by the trustee of our 401(k) Plan, our Profit Sharing Plan and the ONEOK Plan, your voting instructions must be received by May 20, 2019.**

### **How will shares for which a proxy is appointed be voted on any other business conducted at the annual meeting that is not described in this proxy statement?**

Although we do not know of any business to be considered at the 2019 annual meeting other than the proposals described in this proxy statement, if any other business is properly presented at the annual meeting, your proxy gives authority to John W. Gibson, Chairman of the Board, and Joseph L. McCormick, our Senior Vice President, General Counsel and Assistant Secretary, to vote on these matters at their discretion.

### **What shares are included on the proxy card(s)?**

The shares included on your proxy card(s) represent all of the shares that you owned of record as of the close of business on March 25, 2019, including those shares held in our Direct Stock Purchase and Dividend Reinvestment Plan, our Employee Stock Purchase Plan, our 401(k) Plan, our Profit Sharing Plan and the ONEOK Plan. If you do not authorize a proxy via the internet, by telephone or by mail, your shares, except for those shares held in our 401(k) Plan, our Profit Sharing Plan and the ONEOK Plan, will not be voted. Please refer to the discussion above for an explanation of the voting procedures for your shares held by our 401(k) Plan, our Profit Sharing Plan and the ONEOK Plan.

### **What does it mean if I receive more than one proxy card?**

If your shares are registered differently or are in more than one account, you will receive more than one proxy card. Please sign and return all proxy cards, or appoint a proxy via the internet or telephone, to ensure that all your shares are voted. We encourage you to have all accounts registered in the same name and address whenever possible.

### **Why did we receive just one copy of the proxy statement and annual report when we have more than one stock account in our household?**

We have adopted a procedure approved by the SEC called householding. This procedure permits us to send a single copy of the proxy statement and annual report to a household if the shareholders provide written or implied consent. We previously mailed a notice to eligible registered shareholders stating our intent to utilize this rule unless the

shareholder provided an objection. Shareholders continue to receive a separate proxy card for each stock account. Shareholders of record voting by mail can choose this option by marking the appropriate box on the proxy card included with this proxy statement. Shareholders of record voting via telephone or over the internet can choose this option by following instructions provided by telephone or over the internet, as applicable. If you are a registered shareholder and received only one copy of the proxy statement and annual report in your household, we will promptly deliver copies, to the extent you request them, for each member of your household who was a registered shareholder as of the record date. You may make this request by providing written instructions to EQ Shareowner Services, Attn: Householding/ONE Gas, Inc., P.O. Box 64854, St. Paul, Minnesota 55164-0854. You may contact EQ Shareowner Services at 1-800-468-9716 for assistance. You also may contact EQ Shareowner Services in the same manner if you are currently receiving a single copy of the proxy statement and annual report in your household and desire to receive separate copies in the future for each member of your household who is a registered shareholder or if your household is currently receiving multiple copies of the proxy statement and annual report and you desire to receive a single copy in the future for your entire household. If you are not a registered shareholder and your shares are held by a broker, bank or other holder of record, you will need to contact that entity to revoke your election and receive multiple copies of these documents.

### **Is there a list of shareholders entitled to vote at the annual meeting?**

The names of shareholders of record entitled to vote at the annual meeting will be available at the annual meeting and for 10 days prior to the meeting for any purpose relevant to the meeting between the hours of 9:00 a.m. and 4:30 p.m. CDT at our principal executive offices at 15 East Fifth Street, Tulsa, Oklahoma, and may be viewed by contacting our corporate secretary.

---

## **Table of Contents**

### **May I access the notice of annual meeting, proxy statement, 2018 annual report and accompanying documents on the internet?**

The notice of annual meeting, proxy statement, 2018 annual report and accompanying documents are currently available on our website at [www.ONEGas.com](http://www.ONEGas.com). Additionally, in accordance with rules of the SEC, you may access this proxy statement, our 2018 annual report and any other proxy materials we use at <http://shareholder.onegas.com>, which does not infringe on the anonymity of a person accessing such website. The website does not employ cookies or other user-tracking features.

Instead of receiving future copies of our proxy and annual report materials by mail, shareholders may elect to receive an email that will provide electronic links to these proxy and annual report materials. Opting to receive your proxy materials online will save us the cost of producing and mailing documents to your home or business and will also give you an electronic link to the proxy voting site. You may log on to [www.proxypush.com/ogs](http://www.proxypush.com/ogs) and follow the prompts to enroll in the electronic proxy delivery service. If you hold your shares in a brokerage account, you may also have the opportunity to receive copies of these documents electronically. Please check the information provided in the proxy materials mailed to you by your broker, bank, or other holder of record of your shares regarding the availability of this service.

### **What out-of-pocket costs will we incur in soliciting proxies?**

Morrow Sodali LLC, 470 West Avenue, Stamford, Connecticut 06902, will assist us in the distribution of proxy materials and solicitation of votes for a fee of \$10,000, plus out-of-pocket expenses. We also reimburse brokerage firms, banks and other custodians, nominees and fiduciaries for their reasonable expenses for forwarding proxy materials to our shareholders. We will pay all costs of soliciting proxies.

### **Who is soliciting my proxy?**

Our Board is sending you this proxy statement in connection with its solicitation of proxies for use at our 2019 Annual Meeting of Shareholders. Certain of our directors, officers and employees also may solicit proxies on our behalf in person or by mail, telephone, fax or email.

### **Who will count the vote?**

Representatives of our stock transfer agent, EQ Shareholder Services, a division of Equiniti Trust Company, will tabulate the votes and act as the inspector of the election.

### **How can I find out the results of the voting at the annual meeting?**

Preliminary voting results will be announced at the annual meeting. Voting results will be published in a Current Report on Form 8-K that we will file with the SEC within four business days after the annual meeting.

## **Table of Contents**

### **SHAREHOLDER PROPOSALS**

The rules of the SEC provide when a company must include a shareholder's proposal in its proxy statement and identify the proposal in its form of proxy when the company holds an annual or special meeting of shareholders. Under these rules, proposals that shareholders would like to submit for inclusion in our proxy statement for our 2020 Annual Meeting of Shareholders should be received by our corporate secretary at our principal executive offices no later than December 5, 2019. Only those shareholder proposals eligible for inclusion under the rules of the SEC will be included in our proxy statement.

If a shareholder desires to present a proposal, other than the nomination of directors at our 2020 annual meeting, outside the process provided by the rules of the SEC, the shareholder must follow the procedures set forth in our bylaws. Our bylaws generally provide that a shareholder may present a proposal at an annual meeting if (1) the shareholder is a shareholder of record at the time the shareholder gives written notice of the proposal and is entitled to vote at the meeting and (2) the shareholder gives timely written notice of the proposal, including any information regarding the proposal required under our bylaws, to our corporate secretary. To be timely for our 2020 annual meeting, a shareholder's notice must be delivered to, or mailed to and received at, our principal executive offices no later than December 5, 2019.

### **HOUSEHOLDING**

Shareholders with multiple accounts that share the same last name and household mailing address will receive a single copy of shareholder documents (annual report, proxy statement, or other informational statement) unless we are instructed otherwise. Each shareholder, however, will continue to receive a separate proxy card. This practice, known as householding, is designed to reduce our printing and postage costs.

If you are a registered shareholder and received only one copy of the proxy statement and annual report in your household, we will promptly deliver additional copies, to the extent you request copies, for each member of your household who was a registered shareholder as of the record date by providing written instructions to EQ Shareowner Services, Attn: Household/ONE Gas, Inc., P.O. Box 64854, St. Paul, Minnesota 55164-0854. You may contact EQ Shareowner Services at 1-800-468-9716 for assistance. You also may contact us in the same manner if you are currently receiving a single copy of the proxy statement and annual report in your household and desire to receive separate copies in the future for each member of your household who is a registered shareholder, or if your household is currently receiving multiple copies of the proxy statement and annual report and you desire to receive a single copy in the future for your entire household. If you are not a registered shareholder and your shares are held by a broker, bank or other holder of record, you will need to contact that entity to revoke your election and receive multiple copies of these documents.

---

**Table of Contents**

**ANNUAL REPORT ON FORM 10-K**

Our 2018 annual report to shareholders (which includes our Annual Report on Form 10-K for the year ended December 31, 2018) is available on our website at [www.ONEGas.com](http://www.ONEGas.com). Additionally, and in accordance with the rules of the SEC, you may access our 2018 annual report at <http://shareholder.onegas.com>, which does not infringe on the anonymity of a person accessing such website. The website does not employ cookies or other user-tracking features. We will provide, without charge, on the written request of any person solicited hereby, a copy of our Annual Report on Form 10-K as filed with the SEC for the year ended December 31, 2018. Written requests should be mailed to Brian K. Shore, Corporate Secretary, ONE Gas, Inc., 15 E. Fifth Street, Tulsa, Oklahoma 74103.

**OTHER MATTERS**

So far as is now known to us, there is no business other than that described above in this proxy statement to be presented to the shareholders for action at the annual meeting. Should other business come before the annual meeting, votes may be cast pursuant to proxies in respect to any such business in the best judgment of the persons acting under the proxies.

Please return your proxy as soon as possible. Unless a quorum consisting of a majority of the outstanding shares entitled to vote is represented at the annual meeting, no business can be transacted. Therefore, please authorize a proxy electronically via the internet, by telephone, or by mail. Please act promptly to ensure that you will be represented at this important meeting.

By order of the Board.

**Brian K. Shore**

Corporate Secretary

Tulsa, Oklahoma

April 3, 2019

**Table of Contents**

15 East Fifth Street  
Tulsa, OK 74103  
[www.ONEGas.com](http://www.ONEGas.com)

**Table of Contents**

Shareowner Services

P.O. Box 64945

St. Paul, MN 55164-0945

Address Change? Mark box, sign, and indicate changes  
below:

TO VOTE BY INTERNET OR

TELEPHONE, SEE REVERSE SIDE

OF THIS PROXY CARD.

**Your Board of Directors recommends a vote FOR the election of each of the nine director nominees listed below:**

**1. Election of directors:**

**FOR AGAINST ABSTAIN**

**FOR AGAINST ABSTAIN**

01 Arcilia C. Acosta

06 Pattye L. Moore

02 Robert B. Evans

07 Pierce H. Norton II

03 John W. Gibson

08 Eduardo A. Rodriguez

*ò Please fold here Do not separate ò*

04 Tracy E. Hart

09 Douglas H. Yaeger

05

Michael G. Hutchinson

**Your Board of Directors recommends a vote FOR Proposals 2 and 3:**

**2.** Ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of ONE Gas, Inc. for the year ending December 31, 2019. For Against Abstain

**3.** Advisory vote to approve the Company's executive compensation. For Against Abstain

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED AS THE BOARD RECOMMENDS.**

Date \_\_\_\_\_

Signature(s) in Box

Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons should sign. Trustees,

administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.



**Table of Contents**

**ONE Gas, Inc.**

**ANNUAL MEETING OF SHAREHOLDERS**

**Thursday, May 23, 2019**

**9:00 a.m. Central Time**

**15 East Fifth Street**

**Tulsa, Oklahoma 74103**

**proxy**

**ANNUAL MEETING OF SHAREHOLDERS MAY 23, 2019**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints John W. Gibson and Joseph L. McCormick, or either of them, with the power of substitution in each, proxies to vote all shares of stock of the undersigned in ONE Gas, Inc. at the Annual Meeting of Shareholders to be held May 23, 2019, and at any and all adjournments or postponements thereof, upon the matter of the election of directors, the proposals referred to in Items 2 and 3 of this Proxy, and any other business that may properly come before the meeting.

Shares will be voted as specified. IF YOU SIGN BUT DO NOT GIVE SPECIFIC INSTRUCTIONS, YOUR SHARES WILL BE VOTED FOR THE ELECTION OF DIRECTORS AS PROPOSED AND FOR PROPOSALS 2 AND 3.

This card also constitutes voting instructions by the undersigned participant to the trustee of the ONE Gas, Inc. 401(k) Plan, the ONE Gas, Inc. Profit Sharing Plan, and the ONEOK, Inc. 401(k) Plan for all shares votable by the undersigned participant and held of record by such trustee, if any. The trustee will vote these shares as directed provided your voting instruction is received by 11:59 p.m. Central Daylight Time on May 20, 2019. If there are any shares for which instructions are not timely received, the trustee will cause all such shares to be voted in the same manner and proportion as the shares of the plan for which timely instructions have been received, unless to do so would be contrary to ERISA. All voting instructions for shares held of record by the plans shall be confidential.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS AS PROPOSED AND FOR PROPOSALS 2 AND 3.**

If you vote by the Internet or Telephone, DO NOT return your proxy card.

Please complete, sign and date the proxy card and return it in the postage-paid envelope.

**Vote by Internet, Telephone or Mail**

**24 Hours a Day, 7 Days a Week**

Your phone or Internet vote authorizes the named proxies to vote your shares

in the same manner as if you marked, signed and returned your proxy card.

**INTERNET/MOBILE**

**PHONE**

**MAIL**

[www.proxypush.com/ogs](http://www.proxypush.com/ogs)

**1-866-883-3382**

Mark, sign and date your proxy

Use the Internet to vote your proxy

Use a touch-tone telephone to

card and return it in the

until 11:59 p.m. (CT) on

vote your proxy until 11:59 p.m.

postage-paid envelope provided.

May 22, 2019.

(CT) on May 22, 2019.

**If you vote your proxy by Internet or by Telephone, you do NOT need to mail back your Proxy Card.**