

CORNING INC /NY
Form DEFA14A
March 20, 2014

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

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Corning Incorporated

(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):

x No fee required.

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

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.. Fee paid previously with preliminary materials.

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

(3) Filing Party:

(4) Date Filed:

Corning Incorporated is filing the attached additional materials in support of the Board of Directors' recommended vote at our 2014 Annual Shareholders Meeting.

March 2014

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2

Forward Looking and Cautionary Statements

Certain statements in this presentation constitute forward looking statements

within the meaning of the U.S. Private

Securities Litigation Reform Act of 1995. Such forward looking statements are based on current expectations and involve certain risks and uncertainties. Actual results might differ from those projected in the forward looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward looking statements is contained in the Securities and Exchange Commission filings on

the Company and at the end of this presentation.

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3

The World Leader in Specialty Glass and Ceramics

Business Segment

Primary Products

Primary Competitors

(Largely Non-US Companies)

Display Technologies

Glass substrates for LCD flat panel
televisions, computer monitors, laptops,
and other consumer electronics

Asahi Glass Co. Ltd.

Nippon Electric Glass Co. Ltd.
Environmental Technologies
Ceramic substrates and diesel filters for
emission control systems

Ibiden Co., Ltd.

NGK Insulators Ltd.
Optical Communications
Optical fiber, cable, and hardware and
equipment for telephone and Internet
communication networks

Prysmian Group

TE Connectivity Ltd.
Life Sciences
Glass and plastic labware, as well as
label-free technology, media, and
reagents for cell culture, genomics, and
bioprocessing applications

Thermo Fisher Scientific, Inc.

Life Technologies Corporation
Specialty Materials
Cover glass for consumer electronics,
advanced optics, and specialty glass
solutions for a number of industries

Asahi Glass Co. Ltd.

Nippon Electric Glass Co. Ltd.

Hoya Corp.

Agilent Technologies, Inc.
Our largest segment
Display Technologies
generated over
70% of our total core net income in 2013

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4

Our Strategic Framework

Corning is a 163-year old company with a long track record of success. We are driven by our desire to create life-changing innovation. We believe our unique capabilities and culture are a sustainable competitive advantage that can deliver earnings growth and value to shareholders over long time periods.

We grow primarily through global innovation. Innovation comes with risks, so we proactively work to bring balance and stability to the company.

We participate in diverse markets to reduce our volatility, and we have a conservative financial strategy to offset our relatively high operating leverage. Finally -- and most importantly -- we always live our values to ensure the trust of all our stakeholders.

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The 2013 Say on Pay Vote and Our Response

Our 2013 Say-on-Pay vote (71%) led us to a comprehensive review of our programs and shareholder outreach effort

We reached out to over 30 of our largest shareholders, representing more than 40% of our outstanding shares

Shareholders sent us the following messages during our outreach:

Explain peer grouping better

Strengthen and explain the linkage of pay to performance in a down cycle

Increase the proportion of pay that is performance-based

Extend performance time horizon for long-term plan

We heard the message from our shareholders and
took decisive action to respond to their concerns

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6

Our Response to the 2013 Say on Pay Vote

Investor Feedback

Responsive Program Refinements

Explain Peer Grouping

Clarify the use of a compensation peer group relative to Corning's key competitors

Heightened disclosure of financial performance peers in addition to compensation benchmark peers

Strengthen Pay for Performance Link in Down

Cycle

100% of NEOs

annual bonus under the annual

Performance Incentive Plan will be capped at 150% of target (vs. our normal cap of 200% of target) if the profitability goal is budgeted to be lower than the prior year's actual result and TSR for that year is positive

If TSR is negative for such year, the bonus opportunity will be capped at 100%

Increase Proportion of Pay that is Performance Based

Increased the weighting of Cash Performance Units (CPUs) from 50 to 60% of LTI opportunity, as of 2014

Longer Performance Periods

Extend the performance time horizon for the long-term incentive program

Extended the performance timeline for CPUs to reflect average performance over three years (vs. the current one year performance period), based on performance goals that are set each year

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Key Elements of Compensation:

Strengthening Links Between Pay and Performance

Key Pay

Elements

Form of

Compensation

Delivered

Short-Term/Annual Incentives

Performance

Metrics

Long-Term Incentives

Restricted
Stock and
Stock
Options
Performance
Incentive Plan (Cash)
Goal Sharing
(Company-Wide
Unit Plan;
Paid in Cash)
Cash Performance Units
(CPUs)
Weighted Average of
Business Unit Plans
2013:
Each are 25% of
LTI Target
2013:
Net Profit After Tax (NPAT)
(Adj.)
2014:
Core EPS (75%)
and Core Net Sales Growth
(25%) (Adj.)
2013:
50% of LTI Target;
Based on 50% Operating Cash
Flow (Adjusted) and 50% EPS
(Adj.)
2014:
60% of LTI Target;
Based on 70% Operating Cash
Flow (Adj.) and 30% on Core Net
Sales Growth
2014:
Restricted Stock
25% of LTI Target;
Options 15% of
LTI Target

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Performance Metric Goal Setting:

Rigorous and Performance-Based

CEO target compensation starts at the median of the peer group, moving up or down based on company performance

Use business-driven, bottom-up and corporate, top-down budgets subject to multiple levels of review in setting meaningful performance metrics on executive compensation

Use a flat spot

in our annual incentive plan that is intended to avoid
imprudent risk-taking to achieving cliff goals

The flat spot
requires targets to be exceeded by a meaningful margin
before significantly increasing payouts

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9

Putting Peer Comparisons in Context

The majority of our businesses do not have unique, identifiable U.S. peers

Most of our businesses compete with non-U.S. companies, or privately held companies that do not provide comparable executive compensation disclosure

Direct competitors are not suitable for a compensation peer group because they are non-U.S. and/or much larger companies

We must look to globally diversified companies or innovation companies in other industries to find companies of similar size and complexity; such companies are good for compensation comparison purposes, but not for direct financial performance comparisons

Our goal is to position target compensation for our CEO within a competitive range of the peer group median

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10

Distinguishing Compensation Peers and Competitors

Corning Business

Segment

Primary Competitors

(Largely Non-US Companies)

Compensation Peers

Display Technologies

Asahi Glass Co. Ltd.

Nippon Electric Glass Co. Ltd.

Advanced Micro Devices, Inc.

Agilent Technologies, Inc.

Applied Materials, Inc.

BorgWarner, Inc.

Boston Scientific Corporation

Broadcom Corporation

Cummins Inc.

Danaher Corporation

Dover Corporation

Eaton Corporation PLC

Harris Corporation

Juniper Networks, Inc.

Medtronic, Inc.

Monsanto Company

Motorola Solutions, Inc.

NetApp, Inc.

PPG Industries, Inc.

Praxair, Inc.

QUALCOMM, Inc.

Rockwell Automation, Inc.

TE Connectivity Limited

Texas Instruments Incorporated

Thermo Fisher Scientific, Inc.
Environmental Technologies

Ibiden Co., Ltd.

NGK Insulators Ltd.
Optical Communications

Prysmian Group

TE Connectivity Ltd.
Life Sciences

Thermo Fisher Scientific, Inc.

Life Technologies Corporation
Specialty Materials

Asahi Glass Co. Ltd.

Nippon Electric Glass Co. Ltd.

Hoya Corp.

Agilent Technologies, Inc.

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11

Distinguishing Compensation Peers and Competitors

Size Metric

Corning's Percent Rank*

Revenue

39%

Market Capitalization

52%

Net Income

78%

Total Assets

83%

Employees

61%

*Based on compensation data in proxy statements filed in 2013.

Our key competitors are not suitable for a compensation peer group

We use a mix of complex, globally diversified companies for the compensation peer group

The compensation peer group is reasonably aligned with Corning in terms of complexity, market value, and financial comparability

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12

Sound Compensation Governance and Risk Management

Thoughtful Oversight and State-of-the-Art Compensation Governance

Board engagement with shareholders and demonstrated responsiveness to input

Mix

of

cash

and

equity

payouts

tied

to

both
short-term
financial
performance
and
long-term
value
creation

Significant share ownership requirements (6x salary for CEO, 3x for other NEOs)

Capped payout levels for annual incentives

Anti-hedging and pledging policies

Clawback policy

Eliminated tax gross-ups

100% independent Compensation Committee with experienced mix of directors

Independent compensation consultant

Appendix A: Performance Comparisons

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14

2013 Financial Performance Peer Group Comparison

Our largest competitors and most relevant financial performance peers are not U.S. companies. Therefore, the best companies for financial performance comparison purposes are not the same as those in the Compensation Peer Group we use for compensation benchmarking.

The
following
tables
contains
certain

financial
performance
data
of
Corning
and
each
of
our
business
segments,
compared
with
our
largest
competitors
in
each
of
those
segments,
including
core
sales
and
NPAT
compound
annual

growth rates (CAGR). Overall, we performed well in 2013 in each of our business segments. Our performance was particularly strong in our Display Technologies segment, which accounted for more than 70% of our core net income in 2013.

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15

2013 Financial Performance Peer Group Comparison (Cont'd)

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16

2013 Financial Performance Peer Group Comparison (Cont'd)

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17

Forward Looking and Cautionary Statements

This

presentation

contains

forward-looking

statements

(within

the

meaning

of

the

Private

Securities Litigation Reform Act of 1995), which are based on current expectations and assumptions about Corning's financial results and business operations, that involve substantial risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include: the effect of global political, economic and business conditions; conditions in the financial and credit markets; currency fluctuations; tax rates; product demand and industry capacity; competition; reliance on a concentrated customer base; manufacturing efficiencies; cost reductions; availability of critical components and materials; new product commercialization; pricing fluctuations and changes in the mix of sales between premium and non-premium products; new plant start-up or restructuring costs; possible disruption in commercial

activities

due

to

terrorist

activity,

armed

conflict,

political

or

financial

instability,

natural disasters, adverse weather conditions, or major health concerns; adequacy of insurance; equity company activities; acquisition and divestiture activities; the level of excess or obsolete inventory; the rate of technology change; the ability to enforce patents; product and components performance issues; retention of key personnel; stock price fluctuations; and adverse litigation or regulatory developments. These and other risk factors are detailed in Corning's filings with the Securities and Exchange Commission. Forward-looking statements speak only as of the day that they are made, and Corning undertakes no obligation to update them in light of new information or future events.

