

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

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**THE GOODYEAR TIRE & RUBBER COMPANY**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

Say on Pay Proposal  
April 5, 2013

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

the  
second  
highest  
in  
Goodyear's  
history

We achieved record results in North America during 2012

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

Below Peer Median

Pay Indicate Good

Alignment with Peer

Group

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

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

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

Low Realized Pay\*

and 90%

Performance-Based

Pay Indicate Pay for

Performance

Alignment

During

our

CEO's

tenure,

Goodyear

experienced

outstanding

results,

increasing

3

year

cumulative

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

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

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

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

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

Executive Pay and Company Performance Are Well Aligned at Goodyear

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



Strong 2012 Operating Performance  
Reflected in Sound Compensation Plan  
Metrics

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Record Results in  
North America

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

Enhanced Earnings

Power and

Consistency in a

Weak Environment

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

a  
larger  
decline  
in  
earnings  
in  
2012

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

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

#### Realized Pay Shows Pay for Performance Alignment

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

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

Realized pay includes the base salary, annual incentive earned, long term incentive earned and the pre-tax compensation earned from the exercise of stock options and vesting of stock awards regardless of when they were granted; realizable pay, according to IS 401(a), is the sum of base salary, change in pension value, deferred compensation and all other compensation as reported in the Summary

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

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

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

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

2012 Realized CEO Compensation

2010-2012 Realized CEO Compensation vs.  
Summary Compensation Table

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

Segment Operating Income vs. CEO

Total Compensation

5

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

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

Managing Pension Liabilities

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Management is

Taking Solid

Steps to Manage

Pension and

Retiree Liabilities

Froze U.S. salaried plan

Closed USW plan to new entrants

Created VEBA trust for USW retiree medical plans

Capped salaried retiree medical plan

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

plan volatility

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

Strong

Performance in

Face of Unfunded

Pension Liability

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

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

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

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

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



Peer Group is Well Structured for  
Goodyear

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Continuous Focus On Best Practices

Around Pay

8

LTI Tied to

TSR vs. S&P 500

Prohibit Hedging and

Pledging

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

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

employees,  
most  
recently  
strengthening  
those  
prohibitions  
in  
2011

#### Robust Stockholding Guidelines

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

We  
most  
recently  
strengthened  
those  
guidelines  
in  
2011

#### Double-Trigger Change- in-Control Provisions

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

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

#### Eliminated Tax

#### Gross-Ups

#### Clawback Policy

We adopted a clawback policy in 2011

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

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

Support our 2013 Say on Pay Proposal

Our

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

a key factor in driving Goodyear's operating performance

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

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

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

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

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

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

