

RR Donnelley & Sons Co
Form DEF 14A
April 11, 2012
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NOTICE & PROXY STATEMENT

SCHEDULE 14A INFORMATION

**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

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(AS PERMITTED BY RULE 14A-6(E)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

R. R. Donnelley & Sons Company

(Name of Registrant as Specified In Its Charter)

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

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2012

ANNUAL MEETING OF STOCKHOLDERS

Meeting Notice

Proxy Statement

111 South Wacker Drive

Chicago, Illinois 60606-4301

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2012 ANNUAL MEETING OF STOCKHOLDERS

Meeting Notice

WHERE

Renaissance Chicago

Chicago O Hare Suites

8500 W. Bryn Mawr

Rosemont, Illinois

Salons A&B

WHEN

Thursday, May 17, 2012 at
10:00 a.m. Chicago time

WHY

To elect the nominees identified in this proxy statement for a one-year term

To provide an advisory vote on executive compensation

To approve the Company's 2012 Performance Incentive Plan

To vote to ratify the appointment by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm

To vote on a stockholder proposal set out in the proxy statement, if such proposal is properly introduced at the meeting

To conduct any other business if properly raised

RECORD DATE

The close of business on March 28, 2012

You will find more information on the matters for voting in the proxy statement on the following pages. If you are a stockholder of record, you may vote by mail, by toll-free telephone number, by using the Internet or in person at the meeting.

Your vote is important! We strongly encourage you to exercise your right to vote as a stockholder. Please sign, date and return the enclosed proxy card or voting instruction card in the envelope provided, call the toll-free number or log on to the Internet even if you plan to attend the meeting. You may revoke your proxy at any time before it is voted.

You will find instructions on how to vote on page 19. Most stockholders vote by proxy and do not attend the meeting in person. However, as long as you were a stockholder on March 28, 2012, you are invited to attend the meeting, or to send a representative. Please note that only persons with an admission ticket or evidence of stock ownership or who are guests of the Company will be admitted to the meeting.

By Order of the Board of Directors

Suzanne S. Bettman

Secretary

April 11, 2012

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on May 17, 2012. This proxy statement and our annual report to stockholders are available on the internet at www.rrdonnelley.com/proxymaterials. On this site, you will be able to access our 2012 proxy statement, our 2011 annual report, our annual report on Form 10-K for the fiscal year ended December 31, 2011, and all amendments or supplements to the foregoing material that are required to be furnished to stockholders.

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2012 ANNUAL MEETING OF STOCKHOLDERS

Proxy Statement

April 11, 2012

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This proxy statement is issued by RR Donnelley in connection with the 2012 Annual Meeting of Stockholders scheduled for May 17, 2012. This proxy statement and accompanying proxy card are first being mailed to stockholders on or about April 11, 2012.

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Proposals

Proposal 1: Election of Directors

The following information about the business background of each person nominated by the Board has been furnished to the Company by the nominees for director. In connection with the purchase by the Company of Moore Wallace Incorporated (Moore Wallace), Messrs. Pope and Riordan were appointed to the board effective February 27, 2004. In the following descriptions, director service includes service as a director of the Company, Moore Wallace, Moore Corporation Limited (Moore) and Wallace Computer Services, Inc. Each director will serve until the next annual meeting of stockholders or until a successor is elected and qualified, or until such director's earlier resignation, removal, or death.

The names of the nominees, along with their present positions, their principal occupations, current directorships held with other public corporations, as well as directorships during the past five years, their ages and the year first elected as a director, are set forth below. Certain individual qualifications, experiences and skills of our directors that contribute to the Board's effectiveness as a whole are also described below.

Thomas J. Quinlan III	<p>Chief executive officer and president of the Company since April 2007; group president, Global Services of the Company from October 2006 to April 2007; chief financial officer of the Company from April 2006 to October 2007; executive vice president, operations of the Company from February 2004 to October 2006; various capacities at Moore Wallace (and its predecessor, Moore) that included: executive vice president-business integration from May 2003 to February 2004; executive vice president-office of the chief executive from January 2003 until May 2003; and executive vice president and treasurer from December 2000 until December 2002; executive vice president and treasurer of Walter Industries, Inc., a homebuilding industrial conglomerate, in 2000; various positions, including vice president and treasurer, at World Color Press, Inc. from 1994 until 1999.</p> <p>Qualifications: Mr. Quinlan's day-to-day leadership as chief executive officer of the Company, as well as his many years of experience in the printing industry in both finance and operations, provides him with deep knowledge of the Company's operations and industry and gives him unique insights into the Company's challenges and opportunities.</p> <p>Current Directorships: None</p> <p>Former Directorships: None</p> <p>Age: 49</p> <p>Director since: 2007</p>
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Stephen M. Wolf	<p>Chairman of the Board of Directors of the Company; chairman of Lehman Brothers Private Equity Advisory Board, July 2005 to September 2008; managing partner of Alpillis, LLC, a private investment company, April 2003 to present; chairman of Trilantic Capital Partners, previously Lehman Brothers</p>
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Merchant Bank, April 2009 to present; non-executive chairman of US Airways Group, Inc., an air carrier holding company, and its subsidiary US Airways, Inc., an air carrier, 2003; chairman of US Airways Group, Inc. and US Airways, Inc., 1996 to 2002; chief executive officer of US Airways Group, Inc. and US Airways, Inc., 1996 to 1998 and 2001 to 2002; previously and from 1994, senior advisor in Lazard Frères & Co. LLC, an investment banking firm; chairman and chief executive officer UAL Corporation and United Airlines, Inc., 1987-1994. U.S. Airways Group, Inc. filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code on August 11, 2002 and emerged from bankruptcy protection under a plan of reorganization effective March 31, 2003.

Qualifications: Mr. Wolf's experience as chief executive officer of public companies provides valuable insight for the Company as to the issues and opportunities facing the Company, as well as experience in strategic planning and leadership of complex organizations. He also has considerable corporate governance experience through years of service on other public company boards.

Current Directorships: Chrysler Group, LLC; Philip Morris International Inc.

Former Directorships: Altria Group, Inc.

Age: 70

Director since: 1995

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Susan M. Cameron	<p>Former president and chief executive officer of Reynolds American Inc. (RAI), a manufacturer of cigarettes and other tobacco products, January 2004 to February 2011; chairman of RAI January 2006 to October 2010; chairman of R. J. Reynolds Tobacco Company, a wholly owned operating subsidiary of RAI, referred to as RJR Tobacco, since July 2004; chief executive officer of RJR Tobacco, July 2004 to December 2006; president and chief executive officer of Brown & Williamson Holdings Inc. (formerly known as Brown & Williamson Tobacco Corporation, and referred to here as B&W) from 2001 to 2004; director of B&W from 2000 to 2004 and chairman of the board of B&W from January 2003 to 2004; prior thereto, various positions with both B&W and its parent company British American Tobacco plc since 1981.</p> <p>Qualifications: Ms. Cameron's experience as chairman and chief executive officer of a public manufacturing company provides the Board with a perspective of a leader familiar with all facets of a global enterprise facing the same set of current external economic and governance issues.</p> <p>Current Directorships: Tupperware Brands Corporation</p> <p>Former Directorships: Reynolds American Inc.</p> <p>Age: 53</p> <p>Director since: 2009</p>
Lee A. Chaden	<p>Chairman of Hanesbrands Inc. (spun off from Sara Lee Corporation September 2006), a global consumer products company, January 2008 to December 2008; former executive chairman of Hanesbrands, April 2006 to December 2007; chief executive officer of Sara Lee Branded Apparel, a division of Sara Lee Corporation, a global consumer products company, 2004 to 2006; prior thereto, various positions at Sara Lee Corporation since 1991.</p> <p>Qualifications: Mr. Chaden's extensive experience as a senior manager, chief executive officer and chairman of global consumer products companies provides knowledge in global operations, marketing, international business and strategic planning. He is an audit committee financial expert based on his chief executive officer experience, including his experience supervising a company's principal financial and accounting officers. He also has considerable corporate governance experience through years of service on the boards of other public companies.</p> <p>Current Directorships: Carlson, Inc.; Hanesbrands Inc.</p> <p>Former Directorships: Stora Enso OYJ</p> <p>Age: 70</p> <p>Director since: 2008</p>

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Richard L. Crandall Founder and Chairman, Enterprise Software Roundtable, a CEO roundtable for the software industry, since 1995; founding Managing Director of Arbor Partners, a high technology venture capital firm, since November 1997; Managing Partner of Alpine Capital Partners, LLC, a real estate developer, May 2005 to April, 2011; Chairman, Novell, Inc., a provider of IT management software, from 2008 to 2011 and director from 2003 to 2011; Chairman of Giga Information Group, an information technology research and advisory firm, from July 2002 until February 2003, and director of and special advisor to Giga Information Group from its founding in April 1996 until February 2003; technology advisor to U.S. Chamber of Commerce, from 2003 to 2008; founder Comshare, Inc., a decision support software company, and served as CEO from April 1970 until April 1994 and Chairman from April 1994 until April 1997.

Qualifications: Mr. Crandall's experience as a director and advisor to several companies ranging from large to small and public to private in the information technology and technology fields, including as CEO of a software company, gives him valuable knowledge and perspective and allows him to bring a variety of viewpoints to Board deliberations. In addition, his background in the financial services industry also provides important financial and investment expertise and his information technology experience provides perspective on technology risks facing the company.

Current Directorships: Diebold, Inc.; Pelstar LLC; Platinum Energy Solutions; Actv8.me

Former Directorships: Novell, Inc.; Claymore Dividend & Income Fund

Age: 68

Director since: 2012

Judith H. Hamilton Former president and chief executive officer of Classroom Connect Inc., a provider of materials integrating the Internet into the education process, January 1999 to 2002; former president and chief executive officer of FirstFloor Software, an Internet software publisher, April 1996 through July 1998; former chief executive officer of Dataquest, a market research firm for technology, 1992 to 1996.

Qualifications: Ms. Hamilton's experience as chief executive officer of various software and technology companies helps the Board address the challenges faced due to rapid changes in communications strategies. Her involvement in early stage companies also brings to the Board entrepreneurial experience. She also has considerable corporate governance experience through years of service on the boards of other companies.

Current Directorships: None

Former Directorships: Artistic Media Partners, Inc.; Classroom Connect Inc.; Evolve, Inc.; Expression University for New Media; Giga Information Group; Lante Corp.; MarketTools, Inc.; Novell, Inc.; Software.com

Age: 67

Director since: 1995

Thomas S. Johnson Retired chairman and chief executive officer of GreenPoint Financial Corp., a bank holding company, and its subsidiary, GreenPoint Bank, a New York chartered savings bank, 1993 to 2004.

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Qualifications: Mr. Johnson's experience as chairman and chief executive officer of a financial institution provides experience in operational and strategic leadership. He also has considerable corporate governance experience through his years of service on the boards of other public companies.

Current Directorships: Alleghany Corporation; The Phoenix Companies, Inc.

Former Directorships: Federal Home Loan Mortgage Corp. (Freddie Mac); North Fork Bancorporation, Inc.

Age: 71

Director since: 1990

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John C. Pope	<p>Chairman of PFI Group, LLC, a private investment company; Chairman of Waste Management, Inc., a NYSE-listed waste collection and disposal firm from November 2004 to December 2011; Chairman of MotivePower Industries, Inc., a NYSE-listed manufacturer and remanufacturer of locomotives and locomotive components, from December 1995 to November 1999; president, chief operating officer and a director of UAL Corporation and United Air Lines from May 1992 to July 1994 and prior thereto, various positions since 1988.</p> <p>Qualifications: Mr. Pope's experience as chairman and senior executive of various public companies provides financial, strategic and operational leadership ability. He is an audit committee financial expert based on his experience as a member and chairman of other public company audit committees. He has considerable corporate governance experience through years of service on other public company boards in a variety of industries.</p> <p>Current Directorships: Con-way, Inc.; Dollar Thrifty Automotive Group, Inc.; Kraft Foods, Inc.; Waste Management, Inc.</p> <p>Former Directorships: Federal-Mogul Corporation; Per Se Technologies, Inc.</p> <p>Age: 63</p> <p>Director since: 1996</p>
Michael T. Riordan	<p>Former chairman, president and chief executive officer of Paragon Trade Brands, Inc., a manufacturer of disposable diapers and other absorbent products, from May 2000 to February 2002; former president and chief operating officer of Fort James Corporation from August 1997 to August 1998 and, prior to that, chairman, president and chief executive officer of Fort Howard Corporation, manufacturers of disposable paper products.</p> <p>Qualifications: Mr. Riordan's experience as chairman and chief executive officer of manufacturing companies provides experience in operational and strategic leadership. He has considerable corporate governance experience through years of service on other public company boards.</p> <p>Current Directorships: Clearwater Paper Corporation</p> <p>Former Directorships: Potlatch Corporation; The Dial Corporation</p> <p>Age: 61</p> <p>Director since: 1999</p>
Oliver R. Sockwell	<p>Former president and chief executive officer of Construction Loan Insurance Corporation (Connie Lee) and its subsidiary, Connie Lee Insurance Company, financial guarantee insurance companies, 1987 to 1997. Previously executive vice president, finance at SLM Corporation (Sallie Mae). From 1998 to 2003, executive-in-residence at Columbia Business School (taught the executive leadership course).</p> <p>Qualifications: Mr. Sockwell's experience as president and chief executive officer of Connie Lee provides expertise in operational and strategic leadership as does his academic tenure at Columbia. He has</p>

considerable corporate governance experience through years of service on other public company boards.

Current Directorships: None

Former Directorships: Liz Claiborne, Inc.; Wilmington Trust Corporation

Age: 69

Director since: 1997

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Proposals

The Board recommends that stockholders vote for each of our nominees. Only directors that receive a majority of the votes cast FOR their election will be elected. In the event that an incumbent director is not reelected, the Company's *Principles of Corporate Governance* require that director to promptly tender his or her resignation. The Board will accept this resignation unless it determines that the best interests of the Company and its stockholders would not be best served by doing so.

If any nominee does not stand for election, proxies voting for that nominee may be voted for a substitute nominee selected by the Board. The Board may also choose to reduce the number of directors to be elected at the meeting.

In 2011, the Board met 11 times. Each director of the Company during 2012 attended at least 75% of the total number of meetings of the Board and those committees of which the director was a member during the period he or she served as a director.

Proposal 2: Advisory Vote on Executive Compensation

As required by Section 14A of the Securities Exchange Act of 1934 (the Exchange Act), the Company is presenting a proposal that gives stockholders the opportunity to cast an advisory (non-binding) vote on our executive compensation for named executive officers by voting for or against it. This is the second year that the Company is asking stockholders to vote on this type of proposal, known as a say-on-pay proposal. At our 2011 Annual Meeting, our stockholders voted to approve (on a non-binding basis) our executive compensation. At the 2011 Annual Meeting, stockholders were also asked to vote on whether the say-on-pay vote should be held annually, every two years or every three years. Our stockholders indicated a preference for holding such a vote on an annual basis. Our Board determined, as a result of such vote on the frequency of the advisory (non-binding) vote to approve our executive compensation, that we will hold an advisory (non-binding) vote to approve our executive compensation every year.

As disclosed in the *Compensation Discussion and Analysis* beginning on page 28, the Company believes that its executive compensation program is reasonable, competitive and strongly focused on pay-for-performance principles. The goals of the Company's executive compensation program are:

Establish target compensation levels that are competitive within the industries and the markets in which we compete for executive talent;

Structure compensation so that our executives share in the Company's short and long term successes and challenges by varying compensation from target levels based upon business performance;

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Link pay to performance by making a substantial percentage of total executive compensation variable, or at risk, through annual incentive compensation and the granting of long-term incentive awards;

Base a substantial portion of the Chief Executive Officer's and top two operating executives long term incentive award on performance measures while maintaining a meaningful portion that vests over time and is therefore focused on the retention of our top talent; and

Align a significant portion of executive pay with stockholder interests through equity awards and stock ownership requirements.

Consistent with these goals and as disclosed in the *Compensation Discussion and Analysis*, the Human Resources Committee has developed and approved an executive compensation philosophy to provide a framework for the Company's executive compensation program featuring the following policies and practices:

Compensation levels are targeted at the market median with a range of opportunity to reward strong performance and withhold rewards when objectives are not achieved. These levels are reviewed against other industrial companies of similar or larger size and scope, since we are significantly larger than all of our direct competitors and our markets for talent are necessarily broader.

An annual incentive program that requires the achievement of a meaningful financial threshold (non-GAAP earnings per share in 2011) before any incentives are paid.

An entirely equity based long-term incentive program, ensuring alignment with stockholders interests.

Stock ownership requirements for executives further to strengthen the alignment of executives' and stockholders interests (all of our senior executives' holdings currently exceed their respective guidelines).

Minimal perquisites representing less than 1% of the total compensation package.

No option repricing or option grants below market, and no tax gross-ups on any benefits or perquisites.

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The Company has adopted a policy that limits the ability to enter into a future severance arrangement with an executive officer that provides for certain benefits in an amount that exceeds 2.99 times the executive officer's then current base salary and target bonus, unless such future severance arrangement receives stockholder approval.

To strengthen further the Company's pay for performance orientation, performance share units (PSUs) were re-introduced in 2011, tied to the Company's performance over the next three years (2011-2013) measured based on non-GAAP Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), capital expenditures and working capital management.

The Company targets the 50th percentile of peer group compensation but will increase or decrease based on company and individual performance.

The Company does not pay or accrue dividends on performance share units that do not exceed performance criteria.

This proposal gives our stockholders the opportunity to express their views on the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. For the reasons discussed above, we are asking our stockholders to indicate their support for our named executive officer compensation by voting FOR the following resolution at the 2012 Annual Meeting:

RESOLVED: that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the *Compensation Discussion and Analysis*, the *2011 Summary Compensation Table* and the other related tables and disclosures in this Proxy Statement.

The say-on-pay vote is an advisory vote only, and therefore it will not bind the Company or our Board of Directors. However, the Board of Directors and the Human Resources Committee will consider the voting results as appropriate when making future decisions regarding executive compensation.

The affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or by proxy at the 2012 Annual Meeting and entitled to vote on the advisory resolution on executive compensation is required to approve the proposal.

The Board of Directors recommends that the stockholders vote FOR the approval of the advisory resolution relating to the compensation of our named executive officers as disclosed in this Proxy Statement.

Proposal 3: Approval of the 2012 Performance Incentive Plan

The RR Donnelley board of directors has approved, subject to stockholder approval, the RR Donnelley 2012 Performance Incentive Plan (the 2012 PIP). The Board of Directors recommends the adoption of the Plan to replace the Company s 2004 Performance Incentive Plan (the 2004 PIP). Awards outstanding under the 2004 PIP and any other previous RR Donnelley equity plan will continue to be governed by the terms of such plans.

Approval of the 2012 PIP will also constitute approval, for purposes of Section 162(m) of the Internal Revenue Code, of the performance goals contained in the 2012 PIP (described below) that are to be used in connection with awards under the 2012 PIP that are intended to qualify as performance-based compensation for purposes of Section 162(m). Regulations under Section 162(m) require that performance goals be approved by stockholders every five years.

If stockholders do not approve the 2012 PIP, then (i) the 2004 PIP will remain outstanding, and (ii) the number of shares that may be issued under the 2004 PIP for restricted stock, RSUs or other stock-based awards will be 83,465, thereby effectively taking away the Company s ability to make equity grants to the Company s directors and employees.

Purposes of the 2012 PIP.

The 2012 PIP is intended to provide incentives:

- (i) to officers, other employees and other persons who provide services to RR Donnelley through rewards based upon the ownership or performance of RR Donnelley common stock as well as other performance based compensation; and
- (ii) to non-employee directors of RR Donnelley through the grant of equity-based awards.

Summary Description of the 2012 PIP.

Under the 2012 PIP, RR Donnelley may grant stock options, including incentive stock options, stock appreciation rights (SARs), restricted stock, stock units and cash awards, as discussed in greater detail below. The following description of the 2012 PIP is a summary and is qualified in its entirety by reference to the complete text of the 2012 PIP, which is attached as Appendix A to this proxy statement.

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Proposals

Participants. The Company's non-employee directors (who will number nine following the Annual Meeting) and employees (approximately 58,000) are eligible to participate in the 2012 PIP.

Administration. The 2012 PIP will be administered by a committee designated by the Company's Board of Directors (the Plan Committee). Each member of the Plan Committee is a director that the Board of Directors has determined to be an outside director under Section 162(m) of the Internal Revenue Code, a non-employee director under Section 16 of the Exchange Act and independent as such term is defined for purposes of the Nasdaq Stock Market listing rules. The sections of the 2012 PIP relating to awards to non-employee directors may be administered by a separate committee of the Board

(the Director Award Committee). The members of the Director Award Committee must also satisfy the standards described in the second sentence of this paragraph. The Director Award Committee has, with respect to awards to directors under the 2012 PIP, all of the authority, and is subject to the same limitations, as is described below with respect to the Plan Committee.

Subject to the express provisions of the 2012 PIP, the Plan Committee has the authority to select eligible officers and other employees of, and other persons who provide services to, RR Donnelley and its affiliates for participation in the 2012 PIP and to determine all terms and conditions of each grant and award. All stock option awards, SARs, restricted stock awards and stock unit awards, other than awards that are subject to performance-based vesting conditions over a performance period of at least one year, shall have a minimum vesting period of at least three years from the date of grant (such vesting may, in the discretion of the Plan Committee, occur in full at the end of, or may occur in installments over, such three-year period as is specified in the 2012 PIP). The Plan Committee may provide for early vesting upon the death, permanent or total disability, retirement or termination of service of the award recipient, and vesting shall accelerate upon a Change of Control as is specified in the 2012 PIP. The Plan Committee also has the authority to waive the three-year minimum vesting period in the circumstances described in the 2012 PIP.

Each grant and award is evidenced by a written agreement containing such provisions not inconsistent with the 2012 PIP as the Plan Committee approves. The Plan Committee also has authority to establish rules and regulations for administering the 2012 PIP and to decide questions of interpretation of any provision of the 2012 PIP. The Plan Committee does not have authority to reprice any stock option or other award granted under the 2012 PIP, except in the case of adjustments described in the following paragraph. Except with respect to grants to (i) officers of RR Donnelley who are subject to Section 16 of the Exchange Act, (ii) a person whose compensation is likely to be subject to the \$1 million deduction limit under Section 162(m) of the Internal Revenue Code (described below under U.S. Federal Income Tax Consequences) or (iii) persons who are not employees of RR Donnelley, the Plan Committee may delegate some or all of its power and authority to administer the 2012 PIP to the chief executive officer or other executive officer of RR Donnelley.

Available Shares. Approximately 10,000,000 shares of RR Donnelley common stock would be available under the 2012 PIP for grants and awards to officers and other employees and non-employee directors of, and other persons who provide services to, RR Donnelley and its affiliates, subject to adjustment in the event of a stock split, stock dividend, recapitalization, reorganization, merger or other similar event or change in capitalization. In general, shares subject to a grant or award under the 2012 PIP which are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of all or a portion of a grant or award or the settlement of the grant or award in cash would again be available for grant under the 2012 PIP. Shares tendered or withheld upon exercise of an option, vesting of restricted stock or stock

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units, settlement of an SAR or upon any other event to pay exercise price or tax withholding will not, however, be available for future issuance under the 2012 PIP. In addition, upon exercise of an SAR, the total number of shares remaining available for issuance under the 2012 PIP will be reduced by the gross number of shares for which the SAR is exercised.

The maximum number of shares of common stock with respect to which options and SARs or a combination thereof may be granted during any calendar year to any person is 1,500,000, subject to adjustment in the event of a stock split, stock dividend, recapitalization, reorganization, merger or other similar event or change in capitalization. With respect to performance awards that the Plan Committee desires to be eligible for deduction in excess of the \$1,000,000 limit imposed by Section 162(m) of the Internal Revenue Code, (i) the maximum compensation payable pursuant to any such performance awards granted during any calendar year, to the extent payment thereunder is determined by reference to shares of RR Donnelley common stock (or the fair market value thereof), cannot exceed 900,000 shares of RR Donnelley common stock (or the fair market value thereof), subject to adjustment in the event of a stock split, stock dividend, recapitalization,

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reorganization, merger or other similar event or change in capitalization, and (ii) the maximum compensation payable pursuant to any such performance awards granted during any calendar year, to the extent payment is not determined by reference to shares of RR Donnelley common stock, cannot exceed \$9,000,000.

Termination and Amendment. The 2012 PIP will terminate on the date on which no shares remain available for grants or awards under the 2012 PIP, unless terminated earlier by the RR Donnelley Board of Directors, provided that, assuming that the 2012 PIP itself has not previously terminated, the provision of the 2012 PIP relating to annual grants to non-employee directors will terminate on April 9, 2022 and termination will not affect the rights of any participant under any grants or awards made prior to termination. The Board of Directors may amend the 2012 PIP at any time except that no amendment may be made without stockholder approval if stockholder approval is required by applicable law, rule or regulation, including Section 162(m) of the Internal Revenue Code (described below), or such amendment would increase the number of shares of RR Donnelley common stock available under the 2012 PIP or permit repricing of awards made under the 2012 PIP.

Stock Options and Stock Appreciation Rights. The period for the exercise of a non-qualified stock option (other than options granted to non-employee directors) or an SAR and the option exercise price and base price of an SAR will be determined by the Plan Committee, provided that the option exercise price and the base price of an SAR will not be less than the fair market value of a share of RR Donnelley common stock on the date of grant and provided further that the minimum vesting period for such awards must be at least three years. SARs may be granted in tandem with a related stock option, in which event the grantee may elect to exercise either the SAR or the option, but not both, or SARs may be granted independently of stock options. The exercise of an SAR entitles the holder to receive (subject to withholding taxes) shares of RR Donnelley common stock, cash or both with a value equal to the excess of the fair market value of a stated number of shares of RR Donnelley common stock over the SAR base price. The fair market value of a share of RR Donnelley common stock as of March 28, 2012 was \$12.54.

No stock option or SAR can be exercisable more than ten years after its date of grant, except that, if the recipient of the incentive stock option owns greater than 10 percent of the voting power of all shares of capital stock of RR Donnelley, the option cannot be exercisable for more than five years after its date of grant. If the recipient of an incentive stock option does own greater than 10 percent of the voting power of all shares of capital stock of RR Donnelley, the option exercise price will be not less than the price required by the Internal Revenue Code, currently 110% of fair market value on the date of grant.

Upon exercise, the option exercise price may be paid in cash, by the delivery of previously owned shares of RR Donnelley common stock, by authorizing the company to withhold shares of stock that would otherwise be delivered having a fair market value equal to the aggregate exercise price or, to the extent expressly authorized by the Plan Committee, via a cashless exercise arrangement with the Company.

The 2012 PIP includes a provision allowing the Plan Committee to make awards to participants outside the United States on terms and conditions different from those specified in the 2012 PIP in order to accommodate any non-U.S. tax, legal or stock exchange requirements applicable to grants of awards to such participants.

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Performance Awards and Fixed Awards. Under the 2012 PIP, bonus awards, whether performance awards or fixed awards, can be made in (i) cash, whether in an absolute amount or as a percentage of compensation, (ii) stock units, each of which is substantially the equivalent of a share of RR Donnelley common stock but for the power to vote and, subject to the Plan Committee's discretion, the entitlement to an amount equal to dividends or other distributions otherwise payable on a like number of shares of RR Donnelley common stock, (iii) restricted shares of RR Donnelley common stock issued to the participant that are forfeitable and have restrictions on transfer or (iv) any combination of the foregoing.

Performance awards can be made in terms of a stated potential maximum dollar amount, percentage of compensation or number of units or shares, with such actual amount, percentage or number to be determined by reference to the level of achievement of corporate, sector, business unit, division, individual or other performance goals over a performance period of not less than one nor more than ten years, as determined by the Plan Committee. The performance goals must be tied to one or more of the following: net sales; cost of sales; gross profit; earnings from operations; earnings before interest, taxes, depreciation and amortization; earnings before income taxes; earnings before interest and taxes; cash flow measures; return on equity; return on assets; return on net assets employed; return on capital; working capital; leverage ratio; stock price measures; enterprise value; safety

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measures; net income per common share (basic or diluted); EVA (economic value added); cost reduction goals or, in the case of awards not intended to be qualified performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code, any other similar criteria established by the Plan Committee. The Plan Committee may provide in any award agreement that the Plan Committee (i) will amend or adjust the performance goals or other terms or conditions of an outstanding award in recognition of unusual or nonrecurring events and (ii) has the right to reduce the amount payable pursuant to any performance award. Fixed awards are not contingent on the achievement of specific objectives, but are contingent on the participant's continuing in the Company's employ for a period specified in the award.

If shares of restricted stock are credited to a participant pursuant to a bonus award, the participant will have the right, unless and until such award is forfeited or unless otherwise determined by the Plan Committee at the time of grant, to vote the shares subject to such award and to receive dividends thereon from the date of grant and the right to participate in any capital adjustment applicable to all holders of RR Donnelley common stock, provided that (i) a distribution with respect to shares of RR Donnelley common stock and (ii) a regular cash dividend with respect to shares of common stock that are subject to performance-based vesting conditions, in each case, other than a regular quarterly cash dividend, must be deposited with the Company and will be subject to the same restrictions as the shares of RR Donnelley common stock with respect to which such distribution was made. Upon termination of any applicable restriction period, including, if applicable, the satisfaction or achievement of required performance objectives, a certificate evidencing ownership of the shares of the common stock will be delivered to the holder of such award, subject to the Company's right to require payment of any taxes.

If stock units are credited to a participant pursuant to a bonus award, then, subject to the Plan Committee's discretion, amounts equal to dividends and other distributions otherwise payable on a like number of shares of RR Donnelley common stock after the crediting of the units will be credited to an account for the participant and held until the award is forfeited or paid out. Interest may be credited on the account at a rate determined by the Plan Committee.

At the time of vesting of a bonus award, (i) the award, if in units, will be paid to the participant in shares of RR Donnelley common stock equal to the number of units, in cash equal to the fair market value of such shares or in such combination thereof as the Plan Committee determines, (ii) the award, if a cash bonus award, will be paid to the participant in cash, in shares of RR Donnelley common stock with a fair market value equal to the amount of such award or in such combination thereof as the Plan Committee determines and (iii) shares of restricted common stock issued pursuant to an award will be released from the restrictions.

Awards to Non-Employee Directors. On the date of the 2012 Annual Meeting, and on the date of each subsequent annual meeting prior to the termination of the section of the 2012 PIP providing for director awards, the Company will make an award under the 2012 PIP to each individual who is, immediately following such annual meeting, a non-employee director of RR Donnelley. Any such awards granted to non-employee directors will be in the form of stock options, restricted stock, stock units or SARs. The form of such awards, and the number of shares subject to each award, will be determined by the Director Awards Committee in the exercise of its sole discretion.

In addition, each non-employee director of RR Donnelley may from time to time elect, in accordance with procedures to be specified by the Director Awards Committee, to receive in lieu of (i) all or part of such director's retainer or meeting fees or (ii) any annual phantom stock award granted to such non-employee director, an option to purchase shares of RR Donnelley common stock, which option will have a value as of the date of grant of such option equal to the amount of such fees or such phantom stock award. An option granted to a non-employee director in lieu

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of fees or a phantom stock award will become exercisable in full on the first anniversary of the date of grant.

New Plan Benefits. The number of stock options and other forms of awards that will be granted under the 2012 PIP is not currently determinable.

U.S. Federal Income Tax Consequences.

The following is a brief summary of some of the U.S. federal income tax consequences generally arising with respect to grants and awards under the 2012 PIP. This discussion does not address all aspects of the U.S. federal income tax consequences of participating in the 2012 PIP that may be relevant to participants in light of their personal investment or tax circumstances and does not discuss any state, local or non-U.S. tax consequences of participating in the 2012 PIP. This section is based on the Internal Revenue Code, its legislative history, existing and proposed regulations under the Internal Revenue Code and published rulings and court decisions, all as

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in effect as of the date of this document. These laws are subject to change, possibly on a retroactive basis. Each participant is advised to consult such participant's own tax advisor concerning the application of the U.S. federal income tax laws to such participant's particular situation, as well as the applicability and effect of any state, local or non-U.S. tax laws before taking any actions with respect to any of the following awards.

Stock Options. A participant will not recognize any income upon the grant of a non-qualified or incentive stock option. A participant will recognize compensation taxable as ordinary income upon exercise of a non-qualified stock option in an amount equal to the excess of the fair market value of the shares purchased on the date of exercise over their exercise price, and RR Donnelley (or one of its subsidiaries) generally will be entitled to a corresponding deduction, except to the extent limited by Section 162(m) of the Internal Revenue Code. A participant will not recognize any income (except for purposes of the alternative minimum tax) upon exercise of an incentive stock option. If the shares acquired by exercise of an incentive stock option are held for the longer of two years from the date the option was granted and one year from the date it was exercised, any gain or loss arising from a subsequent disposition of such shares will be treated as long-term capital gain or loss, and neither the Company nor its subsidiaries will be entitled to any deduction. If, however, such shares are disposed of within such one or two year periods, then in the year of such disposition the participant will recognize compensation taxable as ordinary income equal to the excess of (A) the lesser of either (i) the amount realized upon such disposition or (ii) the fair market value of such shares on the date of exercise, over (B) the exercise price, and the Company or one of its subsidiaries will be entitled to a corresponding deduction. The participant will also be subject to capital gain tax on the excess, if any, of the amount realized on such disposition over the fair market value of the shares on the date of exercise.

SARs. A participant will not recognize any income upon the grant of SARs. A participant will recognize compensation taxable as ordinary income upon exercise of an SAR in an amount equal to the fair market value of any shares delivered and the amount of cash paid by RR Donnelley upon such exercise, and the Company or one of its subsidiaries generally will be entitled to a corresponding deduction.

Restricted Stock. A participant will not recognize any income at the time of the grant of shares of restricted stock (unless the participant makes an election to be taxed at the time the restricted stock is granted), and neither RR Donnelley nor its subsidiaries will be entitled to a tax deduction at such time. If the participant elects to be taxed at the time the restricted stock is granted, the participant will recognize compensation taxable as ordinary income at the time of the grant equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. If such election is made, a participant will recognize compensation taxable as ordinary income at the time the forfeiture conditions on the restricted stock lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. The Company or one of its subsidiaries generally will be entitled to a corresponding deduction at the time the ordinary income is recognized by a participant, except to the extent limited by Section 162(m) of the Internal Revenue Code. In addition, a participant receiving dividends with respect to restricted stock for which the above-described election has not been made and prior to the time the forfeiture conditions lapse will recognize compensation taxable as ordinary income, rather than dividend income, in an amount equal to the dividends paid, and the Company or one of its subsidiaries generally will be entitled to a corresponding deduction, except to the extent limited by Section 162(m) of the Internal Revenue Code.

Stock Units. A participant will not recognize any income at the time of the grant of stock units, and neither RR Donnelley nor its subsidiaries will be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income at the time RR Donnelley common stock is delivered under the stock units in an amount equal to the fair market value of such shares. The Company or one of its subsidiaries generally will be entitled to a corresponding deduction at the time the ordinary income is recognized by a participant, except to the extent the limit of Section 162(m) of the Internal Revenue Code applies. A participant will recognize compensation taxable as ordinary income when amounts equal to dividend equivalents and any other distributions attributable to stock units are paid, and the Company or one of its subsidiaries generally will be entitled to a corresponding deduction, except to the extent limited by Section 162(m) of the Internal Revenue

Code.

Cash Bonus Awards. A participant will not recognize any income upon the grant of a bonus award payable in cash, and neither RR Donnelley nor its subsidiaries will be entitled to a tax deduction at such time. At the time such award is paid, the participant will recognize

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compensation taxable as ordinary income in an amount equal to any cash paid by the Company, and the Company or one of its subsidiaries generally will be entitled to a corresponding deduction, except to the extent limited by Section 162(m) of the Internal Revenue Code.

Section 162(m) of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code generally limits to \$1 million the amount that a publicly held corporation can deduct each year for the compensation paid to each of the corporation's chief executive officer and the corporation's other three most highly compensated executive officers (other than the chief financial officer) as reported in the corporation's proxy statement. However, performance-based compensation is not subject to the \$1 million deduction limit. To qualify as performance-based compensation, the following requirements must be satisfied: (i) the compensation must be subject to achievement of performance goals established by a committee consisting solely of two or more outside directors, (ii) the material terms under which the compensation is to be paid, including the performance goals, are approved by a majority of the corporation's shareholders and (iii) the committee certifies that the applicable performance goals were satisfied before payment of any performance-based compensation is made. It is intended that the Plan Committee will consist solely of outside directors as defined for purposes of Section 162(m) of the Internal Revenue Code. As a result, and based on regulations issued by the U.S. Department of the Treasury, certain compensation under the 2012 PIP, such as that payable with respect to options and SARs and other performance-based awards, is not expected to be subject to the \$1 million deduction limit, but other compensation payable under the 2012 PIP, such as any restricted stock award which is not subject to a performance condition to vesting, would be subject to such limit.

Section 409A. Awards made under the 2012 PIP that are considered to include deferred compensation for purposes of Section 409A of the Internal Revenue Code must satisfy the requirements of Section 409A to avoid adverse tax consequences to recipients, which could include the inclusion of amounts not payable currently in income and interest and an additional tax on any amount included in income, subject to withholding by the Company. The Company intends to structure any awards under the 2012 PIP so that the requirements under Section 409A are either satisfied or are not applicable.

The affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or by proxy at the 2012 Annual Meeting and entitled to vote on the proposal is required to approve the 2012 PIP.

The Board of Directors unanimously recommends a vote FOR this proposal.

Equity Compensation Plan Information

Information as of December 31, 2011 concerning compensation plans under which the company's equity securities are authorized for issuance is as follows:

Equity Compensation Plan Information

Plan Category ⁽¹⁾	Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights (in thousands)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ⁽⁴⁾	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(in thousands)