

REGENERON PHARMACEUTICALS INC
Form DEF 14A
April 24, 2014
Table of Contents

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN 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

Soliciting Material Under Rule 14a-12

Confidential, For Use of the

Commission Only (as permitted

by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Regeneron Pharmaceuticals, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Table of Contents

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials:

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

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

777 Old Saw Mill River Road

Tarrytown, New York 10591-6707

April 24, 2014

Dear Fellow Shareholders:

It is my pleasure to invite you to attend the 2014 Annual Meeting of Shareholders of Regeneron Pharmaceuticals, Inc. to be held on Friday, June 13, 2014 at 10:30 a.m., Eastern Time, at the Westchester Marriott Hotel, 670 White Plains Road, Tarrytown, New York 10591.

This year we are again using the Notice and Access method of providing proxy materials to you via the Internet. We believe that this process provides you with a convenient and quick way to access your proxy materials and vote your shares, while allowing us to reduce the costs of printing and distributing the proxy materials and conserve resources. On or about April 29, 2014, we will mail to our shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement and our 2013 annual report and vote via the Internet. The Notice also contains instructions on how to receive a paper copy of the proxy materials and our 2013 annual report. This year, our proxy materials are presented in a new format, with a Proxy Summary and an enhanced and expanded Compensation Discussion and Analysis, which we hope will make your review of these materials easier.

As you may know, Eric M. Shooter, Ph.D., a co-founder of the Company and one of our longest-serving non-employee directors, has retired after 25 years of outstanding service to the Company and its shareholders. We have valued Dr. Shooter's leadership, intellect, and scientific acumen and would like to express our appreciation for his service.

Each of the Notice of Internet Availability of Proxy Materials that will be mailed and the Notice of Annual Meeting of Shareholders and proxy statement contained herein identifies the items we plan to address at the Annual Meeting. At the Annual Meeting, we will also present a brief report on the Company and our business and give you the opportunity to ask questions.

Your vote is important. Whether or not you plan to attend the Annual Meeting, you can cast your vote via the Internet or by telephone, or, if you receive paper copies of the proxy materials, by completing the accompanying proxy and returning it in the prepaid envelope provided. If you attend the Annual Meeting, you may vote in person if you wish, even if you previously submitted a proxy.

I look forward to seeing you on June 13th.

Sincerely,

P. Roy Vagelos, M.D.

Chairman of the Board of Directors

Table of Contents

REGENERON PHARMACEUTICALS, INC.

777 Old Saw Mill River Road

Tarrytown, New York 10591

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The 2014 Annual Meeting of Shareholders of Regeneron Pharmaceuticals, Inc. (the Company) will be held on Friday, June 13, 2014, commencing at 10:30 a.m., Eastern Time, at the Westchester Marriott Hotel, 670 White Plains Road, Tarrytown, New York, for the following purposes:

- (1) to elect four Class II directors for a term of three years and one Class I director for a term of two years;
- (2) to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014;
- (3) to cast an advisory vote on executive compensation as disclosed in these proxy materials;
- (4) to approve the Regeneron Pharmaceuticals, Inc. 2014 Long-Term Incentive Plan, which approval shall also constitute approval for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, of certain performance goals in the Plan that may apply to awards thereunder; and
- (5) to act upon such other matters as may properly come before the meeting and any adjournment(s) or postponement(s) thereof.

The board of directors has fixed the close of business on April 17, 2014 as the record date for determining shareholders entitled to notice of, and to vote at, the Annual Meeting and at any adjournment(s) or postponement(s) thereof.

Pursuant to the rules of the Securities and Exchange Commission, we have elected to provide access to our proxy materials over the Internet. Accordingly, we will mail, beginning on or about April 29, 2014, a Notice of Internet Availability of Proxy Materials to our shareholders of record and beneficial owners as of the record date. As of the date of mailing of the Notice of Internet Availability of Proxy Materials, all shareholders and beneficial owners will have the ability to access all of the proxy materials on a website referenced in the Notice of Internet Availability of

Proxy Materials.

The Notice of Internet Availability of Proxy Materials also contains a toll-free telephone number, an e-mail address, and a website where shareholders can request a paper or electronic copy of the proxy statement, our 2013 annual report, and/or a form of proxy relating to the Annual Meeting. These materials are available free of charge. The Notice also contains information on how to access and vote the form of proxy.

As Authorized by the Board of Directors,

Joseph J. LaRosa

Senior Vice President, General Counsel and Secretary

April 24, 2014

Table of Contents

REGENERON PHARMACEUTICALS, INC.

PROXY STATEMENT

TABLE OF CONTENTS

<u>Table of Contents</u>	i
<u>Proxy Summary</u>	1
<u>General Information about the Meeting</u>	7
<u>Proposal No. 1: Election of Directors</u>	12
<u>Corporate Governance</u>	19
<u>New Governance Initiatives</u>	19
<u>Procedures Relating to Nominees</u>	20
<u>Shareholder Communications with Directors</u>	21
<u>Board Committees</u>	21
<u>Code of Ethics</u>	24
<u>Director Independence</u>	24
<u>Board Leadership and Role in Risk Oversight</u>	25
<u>Board Meetings and Attendance of Directors</u>	25
<u>Executive Compensation Processes and Procedures; Role of Compensation Consultants</u>	26
<u>Compensation of Directors</u>	26
<u>Executive Officers of the Company</u>	29
<u>Security Ownership of Certain Beneficial Owners and Management</u>	32
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	36
<u>Certain Relationships and Related Transactions</u>	36
<u>Review, Approval, or Ratification of Transactions with Related Persons</u>	36
<u>Transactions with Related Persons</u>	37
<u>Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm</u>	39
<u>Information about Fees Paid to Independent Registered Public Accounting Firm</u>	39
<u>Audit Committee Report</u>	41
<u>Proposal No. 3: Advisory Vote on Compensation of Named Officers</u>	42
<u>Executive Compensation</u>	43
<u>Compensation Discussion and Analysis</u>	43
<u>Section 1 Summary</u>	43
<u>2013 Performance Overview</u>	43
<u>Compensation Objectives and Elements</u>	46
<u>Highlights of Compensation Policies and Practices</u>	48
<u>Section 2 Analysis of 2013 Executive Compensation Based on Compensation Objectives</u>	49

<u>Pay for Performance</u>	49
<u>Shareholder Alignment</u>	50
<u>Balance Short- and Long-Term Perspectives</u>	52
<u>Market Competitiveness and Employee Retention</u>	56
<u>Section 3 Executive Compensation Process and Considerations</u>	56
<u>Overview</u>	56
<u>Peer Group</u>	57
<u>Compensation Consultant Independence</u>	58
<u>Stock Ownership Guidelines</u>	59
<u>Role of Shareholder Advisory Votes on Executive Compensation</u>	59

Table of Contents

<u>Consideration of Risk in Company Compensation Policies</u>	59
<u>Tax Implications</u>	60
<u>Section 4 Elements of Executive Compensation</u>	60
<u>Base Salary</u>	60
<u>Annual Cash Bonus</u>	61
<u>Annual Stock Option Awards</u>	63
<u>Perquisites and Other Personal Benefits</u>	65
<u>Potential Severance Benefits</u>	65
<u>Compensation Committee Report</u>	67
<u>Compensation Committee Interlocks and Insider Participation</u>	67
<u>Summary Compensation Table</u>	68
<u>Grants of Plan-Based Awards</u>	70
<u>Outstanding Equity Awards at Fiscal Year-End</u>	71
<u>Option Exercises and Stock Vested</u>	73
<u>Post-Employment Compensation</u>	74
<u>Proposal No. 4: Approval of 2014 Long-Term Incentive Plan</u>	79
<u>Overview</u>	79
<u>Corporate Governance Aspects of the 2014 Plan</u>	81
<u>Material Terms of the 2014 Plan Submitted for Shareholder Approval</u>	82
<u>Certain Federal Income Tax Consequences</u>	87
<u>Interests of Certain Persons in Matters to Be Acted Upon</u>	88
<u>SEC Registration</u>	88
<u>Equity Compensation Plan Information</u>	88
<u>Other Matters</u>	90
<u>Appendix A Note Regarding Forward-Looking Statements and Non-GAAP Financial Measures</u>	A-1
<u>Reconciliation of GAAP Net Income to Non-GAAP Net Income (Unaudited)</u>	A-2
<u>Appendix B Regeneron Pharmaceuticals, Inc. 2014 Long-Term Incentive Plan</u>	B-1
<u>NOTE REGARDING FORWARD-LOOKING STATEMENTS AND NON-GAAP FINANCIAL MEASURES</u>	

See Appendix A for important information regarding forward-looking statements and financial measures not calculated in accordance with U.S. Generally Accepted Accounting Principles contained in this proxy statement.

Table of Contents**Proxy Summary**

The summary below highlights information that is described in more detail elsewhere in this proxy statement. This summary does not contain all of the information you should consider, and we urge you to read the entire proxy statement carefully before voting.

General Information (see General Information about the Meeting on page 7 for more information)

Date:	June 13, 2014
Time	10:30 a.m., Eastern Time
Place:	Westchester Marriott Hotel, 670 White Plains Road, Tarrytown, New York 10591
Record Date:	April 17, 2014

Meeting Agenda

Matter	Board Vote Recommendation
1. Election of four Class II directors for a term of three years and one Class I director for a term of two years	For each director nominee
2. Ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014	For
3. Advisory vote on executive compensation as disclosed in this proxy statement	For
4. Approval of the Regeneron Pharmaceuticals, Inc. 2014 Long-Term Incentive Plan, which approval shall also constitute approval for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, of certain performance goals in the 2014 Plan that may apply to awards thereunder	For

Proposal No. 1 Our Director Nominees(see Proposal No. 1: Election of Directors on page 12 for more information)

The following individuals have been nominated for election at the 2014 Annual Meeting:

Director Class	Name	Age*	Director Since	Occupation	Independent	Committee Memberships
Class II (three-year term)	Alfred G. Gilman, M.D., Ph.D.	72	1990	Regental Professor Emeritus of Pharmacology at The University of Texas Southwestern Medical Center at Dallas	ü	Corporate Governance and Compliance Committee (Chairman)

Table of Contents**2014 Annual Meeting of Shareholders**

Director Class	Name	Age*	Director Since	Occupation	Independent	Committee Memberships
Class II (three-year term)	Joseph L. Goldstein, M.D.	73	1991	Professor of Molecular Genetics and Internal Medicine and the Chairman of the Department of Molecular Genetics at The University of Texas Southwestern Medical Center at Dallas	ü	Compensation Committee Technology Committee
Class II (three-year term)	Christine A. Poon	61	2010	Dean, John W. Berry, Sr. Chair in Business at The Max M. Fisher College of Business at The Ohio State University	ü	Compensation Committee Corporate Governance and Compliance Committee
Class II (three-year term)	P. Roy Vagelos, M.D.	84	1995	Former Chairman of the Board and Chief Executive Officer of Merck & Co., Inc.		Technology Committee
Class I (two-year term)	Robert A. Ingram	71	2014	General Partner at Hatteras Venture Partners	ü	Compensation Committee

* As of April 17, 2014.

Each director nominee is a current director, and each director nominee who served as a director in 2013 attended at least 75% of the aggregate of all 2013 meetings of the board of directors and each committee on which he or she served.

Corporate Governance (see [Corporate Governance](#) on page 19 for more information)

Corporate Governance Facts

Board and Other Governance Information	2014*
Size of Board	12
Number of Independent Directors	9
Separate Chairman and Chief Executive Officer	Yes
Director Resignation Policy	Yes
Number of Meetings of the Board of Directors Held in 2013	6
Independent Directors Meet in Executive Sessions Without Management Present	Yes
Code of Business Conduct and Ethics Applicable to All Employees, Officers, and Directors	Yes
Annual Board and Committee Self-Evaluations	Yes
Stock Ownership Guidelines for Directors and Senior Executives	Yes

* As of April 17, 2014.

Table of Contents[Proxy Summary](#)**New Governance Initiatives**

Since our last annual shareholder meeting in 2013, we have enhanced our corporate governance policies and practices through, among other things, the adoption of:

director resignation policy, which requires an incumbent director who fails to receive more for votes than withhold votes in an uncontested election to tender his or her resignation to the Chairman of the board of directors for consideration by the Corporate Governance and Compliance Committee;

recoupment policy, allowing us to seek recoupment of, or to reduce, incentive compensation (i.e., bonus and other incentive compensation, regardless of whether in the form of cash or equity) of our officers and other specified employees for compliance violations; and

prohibition against hedging and pledging of our securities by our directors and employees.

Proposal No. 2 Ratification of PricewaterhouseCoopers LLP (see Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm on page 39 for more information)

We ask that our shareholders ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2014. Below is a summary of fees related to services provided to the Company by PricewaterhouseCoopers LLP for the years ended December 31, 2013 and 2012.

	2013	2012
Audit Fees	\$ 1,298,800	\$ 1,052,853
All Other Fees	1,800	1,800
Total Fees	\$ 1,300,600	\$ 1,054,653

2013 Performance Overview (see Executive Compensation Compensation Discussion and Analysis Section 1 Summary 2013 Performance Overview on page 43 for more information)

2013 was a very successful year for Regeneron. Our key accomplishments in 2013 included:

68% growth in EYLEA® (aflibercept) Injection U.S. net product sales as compared to 2012, from \$838 million to \$1.409 billion.

53% growth in our total revenues as compared to 2012, from \$1.378 billion to \$2.105 billion.

76% growth in non-GAAP net income as compared to 2012, from \$530 million to \$935 million. (Non-GAAP net income is not a measure calculated in accordance with U.S. Generally Accepted Accounting Principles. See Appendix A for a definition of non-GAAP net income and a reconciliation of non-GAAP net income to net income.)

Advances in our EYLEA® franchise, including regulatory approval of EYLEA® for the treatment of macular edema following central retinal vein occlusion in the European Union and Japan and positive Phase 3 data reported for EYLEA® for the treatment of diabetic macular edema and for the treatment of macular edema following branch retinal vein occlusion.

Advances in our late-stage clinical pipeline, which now includes alirocumab, our PCSK9 antibody in Phase 3 trials for lowering LDL-cholesterol; sarilumab, our IL-6 receptor antibody in Phase 3 trials for rheumatoid arthritis and in a Phase 2 study in non-infectious uveitis; and dupilumab, our IL-4 receptor-alpha antibody which blocks both the IL-4 and the IL-13 pathways and is in Phase 2 clinical development for asthma, atopic dermatitis, and nasal polyposis.

Table of Contents

2014 Annual Meeting of Shareholders

Our strong performance is reflected in the appreciation of our stock price, which increased 61%, 738%, and 1,399% over the one-, three-, and five-year periods ended December 31, 2013, respectively, which places our common

stock in the 89th, 98th, and 96th percentile, respectively, of all NASDAQ-listed companies with a market capitalization greater than \$5 billion in those periods.

Proposal No. 3 Advisory Vote on Compensation of Named Officers(see Proposal No. 3: Advisory Vote on Compensation of Named Officers on page 42 for more information)

The board of directors recommends that shareholders approve, on an advisory basis, the compensation of our Named Officers as disclosed in the section of this proxy statement entitled Executive Compensation starting on page 43. We believe that the leadership of the current executive team has been instrumental to our success in 2013 and prior years and that an executive compensation program that attracts, motivates, and helps retain key executives, including the Named Officers, is critical to our long-term success.

The main objectives of our executive compensation program are to pay for performance; closely align the interests of shareholders and management; strike an appropriate balance between short- and long-term perspectives; and attract and retain executives in a competitive marketplace.

These objectives were reflected in our 2013 compensation decisions in a number of ways, including the following:

Consistent with our executive compensation philosophy, the compensation of our Chief Executive Officer and the other Named Officers in 2013 included a robust performance-based component, which predominantly consisted of long-term incentives. In total, performance-based compensation (defined as bonus and equity and non-equity incentive plan compensation) accounted for 97% and 94% of the total 2013 compensation (defined as base salary, bonus, and equity and non-equity incentive plan compensation) of our Chief Executive Officer and the other Named Officers, respectively, as reported in the Summary Compensation Table on page 68. In addition, an overwhelming portion (94%) of the 2013 performance-based compensation of our Chief Executive Officer and the other Named Officers was delivered through long-term incentives (stock option awards). In 2013, our executive compensation program had a higher proportion of both performance-based and long-term compensation relative to total compensation and total performance-based compensation (each as defined above), respectively, with respect to both our Chief Executive Officer and the other Named Officers than such compensation paid on average by the companies included in the 2013 Radford Global Life Sciences Survey (which we and the Compensation Committee used to obtain a general understanding of current compensation practices and to assess overall competitiveness of our compensation program).

As a result of our emphasis on stock options as a key compensation component, the total compensation of our Chief Executive Officer in 2013 and over the last five years was closely aligned with the performance of our common stock over those periods. Both in 2013 and in the five-year period ended December 31, 2013, the year-over-year increases in our Chief Executive Officer's compensation were principally attributable to the increases in the value of his stock option awards (based on the Black-Scholes model for valuing stock options), which reflect the appreciation of our stock price. Furthermore, on a relative basis when compared to our Peer Group, the compensation of our Chief Executive Officer over the last three years was also closely aligned with the performance of our common stock.

Table of Contents

Proxy Summary

In addition, we have instituted compensation policies and practices designed to enhance governance of our executive compensation program and to further our compensation objectives. These policies and practices include:

the engagement and use of an independent compensation consultant by the Compensation Committee;

stock ownership guidelines for our senior executives and directors;

transparent equity granting process and practices;

policy regarding recoupment or reduction of incentive compensation that is applicable to officers, including the Named Officers, and other specified employees;

prohibition against hedging and pledging of our securities by our directors and employees;

no single trigger change-in-control severance or vesting arrangements for executives, including the Named Officers;

limited perquisites;

Compensation Committee and non-employee director oversight of our compensation program; and

prudent management of compensation-related risks.

Proposal No. 4 Approval of New Long-Term Incentive Plan(see Proposal No. 4: Approval of 2014 Long-Term Incentive Plan on page 79 for more information)

We consider equity compensation to be a key component of our compensation program and believe that equity compensation is essential to attract, motivate, and retain talented, experienced, and committed employees and to incentivize our employees to achieve our short- and long-term goals. We are asking our shareholders to approve the new Regeneron Pharmaceuticals, Inc. 2014 Long-Term Incentive Plan to enable us to continue to meet our objective of attracting, motivating, and retaining high-quality talent.

Key factors considered by the board of directors in recommending the 2014 Plan for shareholder approval include:

Edgar Filing: REGENERON PHARMACEUTICALS INC - Form DEF 14A

The number of shares of common stock available for issuance under the 2014 Plan is necessary to allow us to continue our equity compensation program for at least the next three years at levels generally consistent with our historical practices and after taking into consideration our projected future business and employment growth.

The potential dilution resulting from the shares of common stock available for issuance under the 2014 Plan (including the 4,456,631 shares that would roll from the Regeneron Pharmaceuticals, Inc. Second Amended and Restated 2000 Long-Term Incentive Plan into the 2014 Plan) and the total number of shares underlying outstanding equity awards as of April 17, 2014, as a percentage of the shares of common stock and Class A stock outstanding as of April 17, 2014 (36.83%), is lower than the potential dilution resulting from the shares of common stock available for issuance under the 2000 Plan following the increase effected by the amendment approved by shareholders in 2011 and the total number of shares underlying outstanding equity awards as of April 13, 2011 (37.98% as a percentage of the shares of common stock and Class A stock outstanding as of April 13, 2011).

Our historic average burn rate over the past three fiscal years (2011 – 2013), representing equity award grants during the year as a percentage of the weighted-average number of shares of common stock and Class A stock outstanding during the year, was 4.71%. This is below the 5.91% gross burn rate cap applied to the Russell 3000 Pharmaceuticals & Biotechnology companies by Institutional Shareholder Services Inc., a provider of proxy voting and corporate governance services, according to its 2014 U.S. Proxy Voting Guidelines.

Table of Contents

2014 Annual Meeting of Shareholders

From December 31, 2010 to December 31, 2013, we grew the number of our full-time employees by 68%, from 1,395 to 2,340, and we expect to continue to increase our headcount over the next several years. As our organization has continued to grow, the number of shares required for initial awards to new hires and annual equity grants has continued to increase. However, we are asking our shareholders to approve an increase of the share pool by the same amount (12,000,000 shares of common stock) that was requested and approved in 2011 when we had approximately 40% fewer full-time employees (1,433 full-time employees as of March 1, 2011 compared to 2,376 full-time employees as of March 1, 2014).

In 2013, we approved a targeted reduction of approximately 15% in the number of shares underlying the annual stock option awards to eligible employees (reflected in the annual awards made in December 2013) and non-employee directors (reflected in the annual awards made in January 2014) compared to the prior year.

Table of Contents

REGENERON PHARMACEUTICALS, INC.

777 Old Saw Mill River Road

Tarrytown, New York 10591

April 24, 2014

PROXY STATEMENT

General Information about the Meeting

Where and when will the 2014 Annual Meeting be held?

The 2014 Annual Meeting of Shareholders of Regeneron Pharmaceuticals, Inc. (Regeneron, Company, we, us, and our) is scheduled for June 2014, commencing at 10:30 a.m., Eastern Time, at the Westchester Marriott Hotel, 670 White Plains Road, Tarrytown, New York 10591. If you are planning to attend the meeting, directions to this location are available on our website at www.regeneron.com.

Why did you receive a notice in the mail regarding the Internet availability of proxy materials instead of a paper copy of the proxy materials?