

ROYAL CARIBBEAN CRUISES LTD

Form DEF 14A

April 17, 2015

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**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**

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

**Royal Caribbean Cruises Ltd.**

(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):

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No fee required.

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**Royal Caribbean Cruises Ltd.**

**NOTICE OF 2015 ANNUAL MEETING AND PROXY STATEMENT**

MIAMI, FL ½ MAY 28, 2015

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**PROXY SUMMARY**

Our Annual Meeting is an important event and we look forward to welcoming you. It provides Management and the Board of Directors with an opportunity to receive collective feedback from our shareholder base on how we are performing. We place significant value on your opinion and we have strived to highlight in this summary key information for you to consider. It is important, however, that you read the entire proxy statement carefully before voting.

**Annual Meeting of Shareholders**

**When:** May 28, 2015  
 9:00 AM EDT

**Where:** JW Marriott Marquis Miami  
 255 Biscayne Boulevard Way  
 Miami, Florida 33131

**Record Date:** March 30, 2015

**Voting:** Shareholders as of the record date are entitled to vote.

**Admission to Meeting:** We encourage our shareholders to attend the meeting. Proof of share ownership will be required for admission. See General Information for details.

**Meeting Agenda**

Elect directors  
 Approve executive compensation  
 Approve delisting the Company's common stock from the Oslo Stock Exchange  
 Ratify Pricewaterhouse Coopers LLP as our independent auditor  
 Vote on shareholder proposal

Other business that may properly come before the meeting

**Voting Matters and Vote Recommendation**

	<b>Page for More Information</b>	<b>Board Vote Recommendation</b>
Election of eight directors	23	<b>FOR</b>
Vote on executive compensation	60	<b>FOR</b>
Vote to delist the Company's common stock from the Oslo Stock Exchange	61	<b>FOR</b>
	63	<b>FOR</b>

Ratification of Pricewaterhouse Coopers LLP as our independent auditor

Shareholder Proposal	65	AGAINST
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**Governance Highlights**

We are committed to maintaining strong governance practices and have taken a number of important strides forward over the past year. These include:

**ENHANCEMENTS TO LONG-TERM**

**INCENTIVE COMPENSATION PROGRAM**

We increased the performance period for our performance share grants from 1 year to 3 years; we changed the metrics to align the program with our Double-Double Program (increasing ROIC to double digits and doubling 2014 profitability by 2017); and we lengthened the clawback period.

**IMPLEMENTATION OF CLAWBACK POLICY FOR EXECUTIVE SHORT-TERM BONUS PLAN**

Beginning in 2015, cash bonuses granted under our Executive Short-Term Bonus Plan will be subject to clawback provisions.

**Table of Contents****PROHIBITION OF HEDGING OF COMPANY SHARES BY EMPLOYEES AND DIRECTORS**

We amended our securities trading policy to expressly prohibit our employees and directors from entering into any transaction to hedge the economic risk of owning the Company's stock.

**BOARD DIVERSITY**

We amended our Corporate Governance Principles and practices to better foster diversity on the Board.

**PROHIBITION ON CASH BUYOUT OF UNDERWATER OPTIONS**

We modified our plans and policies to expressly prohibit the Company from repurchasing underwater stock options.

**BOARD DECLASSIFICATION**

We are completing the declassification of the Board. As of this Annual Meeting, all directors' terms end next year.

**Other Key Governance Facts**

Current size of the Board	11
Current number of Independent Directors	9
Audit, Compensation and Nominating Committees Consist Entirely of Independent Directors	Yes
All Directors Attended at least 75% of Meetings Held	Yes
Majority Voting for Directors	Yes
Non-Management Directors Meet Regularly in Executive Session	Yes
Annual Board and Committee Self-Evaluations	Yes
Shareholder Ability to Call Special Meetings (50% threshold)	Yes
Shareholder Ability to Act by Written Consent	Yes
Annual Vote on Executive Compensation	Yes
Management Succession Planning	Yes
Poison Pill	No
Directors and Employees Permitted to Hedge Company Shares	No

**Board Nominees**

Name	Director			Principal Occupation	Independent	Committee Memberships			
	Age	Since				AC	CC	NGC	SEH
John F. Brock	66	2014		Chairman & CEO, Coca-Cola Enterprises Inc.	Yes		M	M	
Richard D. Fain	67	1981		Chairman & CEO, Royal Caribbean	No				
Ann S. Moore	64	2012		Former Chairman & CEO, Time Inc.	Yes		M		
Eyal M. Ofer	64	1995		Chairman, Zodiac Maritime	Yes			M	M
William K. Reilly	75	1998		Founding Partner, Aqua International Partners	No				C
Vagn O. Sørensen	55	2011		Former President & CEO, Austrian Airlines Group	Yes	M	M		M
Donald Thompson	52	N/A*		Retired President & CEO, McDonald's Corporation	Yes				
Arne Alexander Wilhelmsen	49	2003			Yes			M	

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Chairman,  
AWILHELMOSEN AS

\* Mr. Thompson, our director nominee, does not currently serve as a member of the Board.



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**Continuing Board Members (serving terms expiring at the 2016 Annual Meeting)**

Name	Age	Director		Principal Occupation	Independent	Committee Memberships			
		Since				AC	CC	NGC	SEH
William L. Kimsey	72	2003		Former CEO, Ernst & Young Global	Yes	C		M	
Thomas J. Pritzker	64	1999		Executive Chairman, Hyatt Hotels	Yes				C
Bernt Reitan	67	2004		Former Executive Vice President, Alcoa	Yes	M	C		

AC	Audit Committee	C	Chair
CC	Compensation Committee	M	Member
NGC	Nominating and Corporate Governance Committee		
SEH	Safety, Environment and Health Committee		

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### **Executive Compensation Programs**

The foregoing summary highlights information contained elsewhere in the proxy statement. This summary does not contain all of the information that you should consider, and we urge you to read the entire proxy statement carefully before voting.

Midway through 2014, we announced our Double-Double program, which called for increasing the Company's Return on Invested Capital ( ROIC ) to double digits and doubling our 2014 Adjusted Earnings per Share, both by 2017. 2014 was a good year for the Company, with our brands performing at their strongest levels ever and our Double-Double program solidly on track. Our compensation programs responded to these outcomes as outlined below.

### **How We Performed**

Record Adjusted EPS\* of \$3.39, representing a 40% year-over-year improvement

Strong yield improvement

One year total shareholder return of 77%; cumulative five-year shareholder return of approximately 250%

ROIC for 2014 was approximately 3.0% above the target set by the Company at the beginning of 2014

Significant operational/strategic achievements, including:

- i Continued strong onboard revenue growth
- i Year-over-year decrease in net cruise costs excluding fuel per Available Passenger Cruise Day
- i Highly successful introduction of *Quantum of the Seas*
- i Promotion of two new Brand Presidents, both of whom are long-time veterans of the Company
- i Commencement of new strategic partnership SkySea Cruises- to build a national cruise line for China
- i Completion of sale of *Celebrity Century*

### **How We Paid our Executives**

Continued focus on at-risk pay, with 85% of target compensation for our Chairman & CEO (and 71% for other Named Executive Officers ( NEOs )) variable based on Company performance

Base salary increases for our named executives largely reflect changes to leadership roles as discussed in more detail herein; Our Chairman & CEO did not receive a base salary increase.

Paid bonuses to our NEOs between 118% and 132% of target based on exceeding defined metrics (CEO bonus at 118% of target)

Performance shares based on 2014 ROIC earned at 119% of target

Provided a one-time special performance-based equity award for our Chairman and CEO to reflect his leadership in delivering outstanding results for shareholders (the total equity award for 2014 was comprised of approximately 79% performance shares and 21% restricted stock units)

Provided one-time special equity awards for our other named executives to reflect our exceptional performance and to foster retention

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- i Completion of Pullmantur restructuring and sale of non-core businesses

- i Continued dividend growth

- i Repurchase of 3.5 million shares

\* See Annex A for reconciliation of non-GAAP and GAAP measures presented.

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We place significant focus on the design of our executive compensation programs as we believe their effectiveness is crucial to our success as a company. We assess our programs regularly and strive diligently to continuously make improvements as well as incorporate shareholder feedback. While we have tried to maintain a reasonable level of consistency and continuity over the years, we implemented enhancements effective in both 2014 and 2015. These enhancements increased our emphasis on performance based compensation and made it longer-term. Our 2014 program and additional 2015 enhancements are summarized in the tables below.

**Snapshot of our 2014 Executive Compensation Program**

<b>Continued emphasis on at risk compensation</b>	<p><i>85% of target compensation for Chairman &amp; CEO (and 71% for other NEOs) varies based on Company performance</i></p> <p><i>50% of annual long-term incentive awards comprised of performance shares</i></p>
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<b>Maintained focus on both long-term and short-term financial metrics and key strategic/operational measures</b>	<p><i>Continued the use of both shorter-term financial measures and critical operational measures, such as safety and guest and employee engagement, in our annual incentive program</i></p> <p><i>Maintained the longer-term ROIC measure for our performance share program</i></p>
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<b>Implemented compensation changes to focus on longer-term equity compensation</b>	<p><i>Weighted compensation changes for our NEOs towards long-term incentive awards</i></p> <p><i>Implemented more robust share ownership guidelines (8 times salary for the Chairman &amp; CEO, 5 times salary for other NEOs)</i></p>
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**Changes to our Executive Compensation Programs for 2015**

<b>Enhanced long-term performance focus of our programs</b>	<p><i>Changed our performance share plan measurement to a three-year measurement period to better align with the longer-term interests of the Company and shareholders</i></p>
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*Adjusted the weighting of the equity award vehicles for our Chairman & CEO to approximately 55% performance shares and 45% restricted stock units*

*Extended the clawback period applicable to our performance share grants to 2 years following the end of the performance period*

**Implemented changes that align with our Double- Double Program**

*Implemented a one-time cash bonus opportunity for 2015 for bonus eligible employees, excluding the CEO, designed to reward employees for generating outsized revenue yields in 2015*

*Added a second measure to our performance share plan; for 2015 awards, consistent with our Double-Double Program, we will measure both ROIC and EPS*

**Implemented Clawback Policy for Executive Short-Term Bonus Plan**

*Cash bonuses will be subject to clawback provisions*

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In furtherance of our compensation program objectives, we maintain a high level of corporate governance standards within our executive compensation programs as follows:

What We Do	What We Don't Do
Hold our executives to meaningful stock ownership guidelines	No repricing of underwater stock options
In the event of a Change-in-Control, only provide severance benefits if there is an accompanying qualifying termination	No cash buyouts of underwater stock options
Offer limited perquisites or other executive-only benefits	No tax-gross up provisions on any change-in-control severance benefits
Design our programs so as not to encourage unnecessary and excessive risk taking	No tax-gross ups provided on perquisites or executive benefits
Prohibit our employees and directors from entering into any transaction to hedge the economic risk of owning the Company's stock	

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