

HCP, INC.  
Form DEF 14A  
March 16, 2018  
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## SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

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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 Under §240.14a-12

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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(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:

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Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:



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GREATER BOSTON, MA  
LIFE SCIENCE**

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### **LETTER FROM OUR BOARD OF DIRECTORS**

#### **DEAR STOCKHOLDERS,**

2017 marked another year of transformational progress at HCP as we applied our experience and focus to build a stronger company with a revitalized and high-quality portfolio mix, and an improving investment-grade balance sheet. During 2017, we recycled \$2.2 billion of capital from non-core asset dispositions to help fund \$0.6 billion of acquisitions of high-quality assets, \$0.3 billion of funding for our life science, medical office building and senior housing development and redevelopment platforms, and \$1.4 billion of existing debt repayment, eliminating all significant debt maturities until 2019. HCP has come a long way in the past couple years towards repositioning and optimizing its portfolio and balance sheet. With the opportunities seized and actions taken in 2017, we believe HCP is poised to continue executing on its plans to create long-term stockholder value.

**Thomas M. Herzog**  
President and CEO,  
Director

**David B. Henry**  
Independent Chairman

#### **Corporate Governance Changes Led by Stockholder Feedback**

We engaged with our investors on corporate governance best practices and trends, meeting with over 200 investors in 2017 in one-on-one and group meetings, conferences and property tours. In response to investor feedback on governance matters, we strengthened accountability to stockholders by adopting a majority vote standard for stockholder bylaw amendments and opting out of the provisions of the Maryland Unsolicited Takeovers Act, or MUTA, that would allow us to stagger the Board without stockholder approval. Additionally, we are evaluating the ideal size, roles, diversity and desired experience for the Board going forward. We have retained a national search firm to assist in identifying and evaluating potential director candidates with diverse backgrounds and perspectives.

**Brian G. Cartwright**  
Independent Director

**Christine N. Garvey**  
Independent Director

**James P. Hoffmann**  
Independent Director

#### **Paying for Performance**

Refinements to our executive compensation program over the past several years created significant pay-for-performance alignment in 2017. Our short-term incentive plan, or STIP, payouts for 2017 reflect our overall strong operating performance and balance sheet metrics in 2017. Although payouts for our long-term incentive plan, or LTIP, awards in 2017 will not be measured until the end of 2019, if our relative total stockholder return, or TSR, does not improve over the balance of the performance period above 2017 results, the performance-based portion of these awards will be forfeited. 2018 refinements include expanding the number of executives subject to the STIP and LTIP, adopting a 1-year minimum vesting period for equity awards and further refining our STIP metrics.

**Michael D. McKee**  
Director

**Peter L. Rhein**  
Independent Director

**Joseph P. Sullivan**  
Independent Director

#### **Leadership Changes**

Michael D. McKee stepped down from his role as our Executive Chairman in March 2018 and will be retiring from the Board at the 2018 Annual Meeting of Stockholders. Since 1989, Mr. McKee has served HCP in various important roles, including Lead Director, Chairman of the Board, Executive Chairman and CEO. His many contributions to HCP will be enduring.

We are excited about the talent and experience our new senior leaders bring to HCP's management team. Our new executive officers complement our experienced leaders who have been promoted from within HCP, which we believe establishes a strong and balanced management team going forward. We are confident in management's ability to execute on our near- and long-term strategies for value creation and dividend income.

#### **Continued Sustainability Leadership**

Sustainability initiatives are a critical component of our corporate responsibility. We seek to undertake initiatives that increase stockholder value. This year we will publish our seventh annual Sustainability Report, which is prepared in accordance with the Global Reporting Initiative (GRI) standards. In 2017, we received numerous awards for our sustainability efforts, including constituency in the North America Dow Jones Sustainability Index for a fifth consecutive year and being named a 2017 ENERGY STAR Partner of the Year for achievements in energy efficiency.

#### **Looking Ahead**

We continue to focus our operating and investment strategies on three components that we believe are key to generating sustainable stockholder returns: (i) continued improvement of portfolio quality and mix; (ii) maintaining a strong balance sheet; and (iii) growing cash flow and dividends. We are excited about HCP's future and believe we are well-positioned for long-term growth. We hope that you will attend our Annual Meeting of Stockholders to hear first-hand about our performance and future plans. Thank you for your continued support.



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### NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

### ANNUAL MEETING PROPOSALS

#### 01 ELECTION

of the six director nominees named in this proxy statement

Your Board recommends a vote **FOR** each director nominee  
See page 13

#### 02 RATIFICATION

of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018

Your Board recommends a vote **FOR** this proposal  
See page 31

#### 03 APPROVAL

on an advisory basis, of our 2017 executive compensation

Your Board recommends a vote **FOR** this proposal  
See page 36

Other business will be transacted as may properly come before the 2018 annual meeting of stockholders and any adjournment or postponement thereof (the "Annual Meeting").

## LOGISTICS

#### **Date and Time**

Thursday, April 26, 2018  
9:30 a.m. Pacific Time

#### **Place**

The Westin South Coast Plaza  
686 Anton Boulevard  
Costa Mesa, California 92626

#### **Record Date**

Wednesday,  
March 7, 2018

#### **Mailing Date**

These proxy materials are first being mailed or made available to stockholders on or about March 16, 2018.

## PROXY VOTING

Please submit your proxy or voting instructions as soon as possible to instruct how your shares are to be voted at the Annual Meeting, even if you plan to attend the meeting. If you later vote in person at the Annual Meeting, your previously submitted proxy or voting instructions will not be used.

## HOW TO VOTE - STOCKHOLDERS OF RECORD

#### **By Internet**

Visit 24/7 [www.proxyvote.com](http://www.proxyvote.com)

#### **By Telephone**

Dial toll-free 24/7  
1-800-690-6903

#### **By Mobile Device**

Scan this QR Code

#### **By Mail**

Complete your proxy card and cast your vote by free post

## HOW TO VOTE - BENEFICIAL OWNERS

If you own shares registered in the name of a broker, bank or other nominee, please follow the instructions they provide on how to vote your shares. To vote **Important Notice Regarding Internet Availability of Proxy Materials**

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your shares in person at the Annual Meeting, contact your broker, bank or other nominee to obtain a legal proxy giving you the right to vote the shares at the Annual Meeting, and bring this legal proxy to the Annual Meeting to demonstrate your authority to vote.

This proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 ("Annual Report"), are available on the Internet at [www.proxyvote.com](http://www.proxyvote.com). You can also view these materials at [www.proxyvote.com](http://www.proxyvote.com) by using the control number provided on your proxy card, voting instruction form or Notice of Internet Availability of Proxy Materials.

By Order of the Board of Directors,

**Troy E. McHenry**

Executive Vice President,  
General Counsel and Corporate Secretary

Irvine, California  
March 16, 2018

2018 PROXY STATEMENT

**1**

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# PROXY SUMMARY

## COMPANY HIGHLIGHTS

2017 was a transformative year for us, with our leadership team successfully delivering on our clearly articulated strategic goals. We believe we have one of the best portfolios in the healthcare real estate sector and will continue to focus on improving the quality of our cash flow through operational excellence, proactive capital recycling, accretive acquisitions, development and redevelopment activity, and investments in sustainability initiatives.

### 2017 BUSINESS HIGHLIGHTS

**\$1.95**

Achieved funds from operations (“FFO”) as adjusted per share of \$1.95

**3.4%**

Total SPP cash net operating income (“NOI”) growth of 3.4%

**\$562m**

Closed \$562 million of acquisitions

**4.1m**

Executed 4.1 million sq. ft. of medical office and life science leasing

**\$1.4b**

Enhanced financial position with \$1.4 billion of debt repayments

**\$2.2b**

Generated \$2.2 billion from non-core asset dispositions

FFO as adjusted and cash NOI are non-GAAP financial measures. For definitions of and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures, see the section titled “Non-GAAP Financial Measures” in our Annual Report.

**WHAT DIFFERENTIATES HCP**

- High-quality, 95% private-pay portfolio** with a balanced emphasis on **Medical Office, Life Science and Senior Housing** real estate
- Over 50% of cash NOI from specialty office** which includes primarily on-campus Medical Office portfolio and premier Life Science properties
- ~40% of cash NOI from a diversified senior housing portfolio** with a balanced mix of well-covered triple-net leases and operating properties
- \$1 billion** development and redevelopment pipeline with an **additional 1.6 million square feet of entitlements**
- Investment grade balance sheet with ample liquidity and **no significant debt maturities until 2019**
- Global leader in **sustainability**

**As Baby Boomers age, they will seek...**

PARKER ADVENTIST

DENVER, CO

**Medical Office**

Outpatient services and specialist doctor visits performed more efficiently in a medical office setting

THE COVE AT OYSTER POINT

**Life Science**

New and innovative drugs, treatments and healthcare devices, which will be serviced by our life science portfolios

SOUTH SAN FRANCISCO, CA

SOLANA PRESERVE VINTAGE PARK

HOUSTON, TX

**Senior Housing**

Senior housing communities offering social activities, daily living assistance and coordination with outside healthcare providers

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PROXY SUMMARY

**MANAGEMENT TEAM UPDATES**

Working collectively with our Board of Directors ( Board ) and under its oversight, we successfully navigated changes in our senior management team over the past several years.

**2016**

Troy McHenry was promoted to Executive Vice President and General Counsel

**2017**

Tom Herzog was promoted to President and Chief Executive Officer

Tom Klaritch was promoted to Executive Vice President and Chief Operating Officer

Pete Scott joined us as our Executive Vice President and Chief Financial Officer

Kendall Young was appointed as our Senior Managing Director – Senior Housing Properties

Shawn Johnston joined us as our Senior Vice President and Chief Accounting Officer

Glenn Preston was named the head of Medical Office Buildings

**2018**

Scott Brinker joined us as our Executive Vice President and Chief Investment Officer

**WE STRIVE TO BE RECOGNIZED IN OUR INDUSTRY FOR OUR:**

Predominantly private-pay portfolio in three key segments of Medical Office, Life Science and Senior Housing  
Investment plan emphasizing prudent capital allocation and accretive growth objectives  
Manage our balance sheet to Baa1/BBB+ credit metrics over time  
Best-in-class disclosures and transparency

**PORTFOLIO TRANSFORMATION**

Since 2016, we have been in the process of transforming our portfolio by, among other things, eliminating our investments in skilled-nursing facilities, mezzanine loan investments and international investments. We have also focused on increasing our tenant diversity and investing in high-quality medical office buildings ( MOBs ) and life science assets. The chart below shows how far we have come since we embarked on our repositioning initiatives in 2016.

	HCP 3Q 2016	Targeted Pro Forma HCP <sup>(1)</sup>	What We Have Done
<b>MOB and Life Science</b>			
<b>% Private Pay</b>	29%	53%	Through our portfolio repositioning efforts, our MOBs and life science assets have become an even more significant part of our overall portfolio. Going forward, we will be further differentiated from our peers by having a more balanced and diversified portfolio. Our portfolio is focused on medical office, life science and senior housing. We believe all three of these segments will benefit from the growing demographic trends without exposure to the uncertainty of government reimbursement.
<b>Top 3 Tenant Concentration</b>	78%	95%	With our announced 2017 transactions, we intend to dramatically increase our tenant diversity by selling and transitioning certain senior housing assets to reduce the top three tenant concentration to approximately 31% of cash NOI.
<b>Mezzanine Loan Investments</b>	54%	31%	Highly leveraged mezzanine loans do not align with our long-term strategy of generating stable cash flows. As such, we exited these investments.
<b>International Investments</b>	\$719 million	\$0	After evaluating our U.K. portfolio in the context of the impact of Brexit and tax matters, we decided to actively market our U.K. assets for sale to focus upon the strong demographic opportunities in the U.S.
	\$850 million	\$0	

Target percentages represent 4Q 2017 cash NOI plus interest income adjusted to reflect (i) acquisitions and dispositions as if they occurred on the first day of the quarter, and (ii) the sale of (x) our remaining 40% interest in our RIDEA II joint venture, (y) our U.K. holdings and Tandem Health Care investment, and (z) four life science properties that were held for sale as of December 31, 2017. Also includes \$3 million of anticipated quarterly stabilized cash NOI from our Hayden (life science asset) acquisition and stabilized cash NOI from Phase II of The Cove.

Percentages also reflect assumed Brookdale Senior Living, Inc. asset sales and transitions expected to occur during 2018 (see our Annual Report for additional information).



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PROXY SUMMARY

**PROXY HIGHLIGHTS**

Our Board solicits your proxy for the Annual Meeting. This summary provides an overview of information contained in this proxy statement and does not contain all of the information that you should consider before voting. We encourage you to review the entire proxy statement before casting your vote.

**ELECTION OF SIX DIRECTORS**

Our Board unanimously recommends a vote **FOR** each of the six director nominees

Our Board believes that the six director nominees have the qualifications to provide effective leadership, oversight and guidance.

All but one of our six director nominees (our CEO) are independent.

All candidates are highly successful professionals with relevant skills and experience.

See pages **13-30** for more information

**OUR DIRECTOR NOMINEES**

Our Board has a breadth of experience as well as diversity in perspective and background. We believe the range of tenures of our director nominees creates a synergy between institutional knowledge and new viewpoints.

**HCP DIRECTOR NOMINEE  
TENURE**

2 newer directors (1-5 years)  
3 mid-range directors (6-15 years)  
1 long-term director (greater than 15 years)

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PROXY SUMMARY

The table below summarizes some of the qualifications, skills and experience of our director nominees that led our Board to conclude that the nominees are qualified to serve on our Board. For a discussion of these qualifications and why they are important to our Board, see Proposal No. 1: Election of Directors—Director Qualifications, Skills and Experience.

DIRECTOR NOMINEES	COMMITTEES	EXPERIENCE
<p><b>THOMAS M. HERZOG</b>                      President and CEO, HCP, Inc.                      Age: 55                      Director Since 2017</p>		
<p><b>DAVID B. HENRY</b> <i>Independent</i>                      Independent Chairman of the Board, HCP, Inc.                      Former Vice Chairman &amp; CEO, Kimco Realty Corporation                      Age: 69                      Director Since 2004</p>	<p><b>Chair</b></p>	
<p><b>BRIAN G. CARTWRIGHT</b> <i>Independent</i>                      Former General Counsel, SEC                      Age: 70                      Director Since 2013</p>		