BEAM INC
Form 10-K/A
April 29, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

(Amendment No. 1)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

Commission file number 1-9076

Beam Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-3295276**
(State or other jurisdiction of	**(IRS Employer**

incorporation or organization) **Identification No.)**

510 Lake Cook Road, Deerfield, IL 60015

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: (847) 948-8888

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $3.125 per share	New York Stock Exchange, Inc.
$8\,^{5}/_{8}$% Debentures Due 2021	New York Stock Exchange, Inc.
$7\,^{7}/_{8}$% Debentures Due 2023	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and small reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the registrant s common stock held by non-affiliates of the registrant at June 28, 2013 (the last day of our most recent second quarter) was $10,207,695,016 based on the closing price as reported on the New York Stock Exchange. The number of shares outstanding of the registrant s common stock, par value $3.125 per share, at April 28, 2014, was 165,785,694.

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Explanatory Note

This Amendment No. 1 on Form 10-K/A (the Amendment) amends the Annual Report on Form 10-K of Beam Inc., a Delaware corporation (Beam , we, our, us or the Company), for the fiscal year ended December 31, 2013, origina filed with the SEC on February 18, 2014 (the Original Filing). This Amendment is being filed to amend Part III of the Original Filing to include the information required by and not included in Part III of the Original Filing because the Company no longer intends to file a definitive proxy statement for an annual meeting of shareholders within 120 days of the end of its fiscal year ended December 31, 2013. Part IV of the Original Filing is being amended solely to add as exhibits Exhibit 2.4 and certain new certifications in accordance with Rule 13a-14(a) promulgated by the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act). Because no financial statements have been included in this Amendment and this Amendment does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 4 and 5 of the certifications have been omitted.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and the Company has not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing other than as expressly indicated in this Amendment. Accordingly, this Amendment should be read in conjunction with the Original Filing and the Company s other filings made with the SEC on or subsequent to February 18, 2014.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Our Board consists of eight members. The names of the directors, along with their present positions, their principal occupations and directorships held with other public corporations during the past five years, their ages and the year first elected as a director of the Company, are set forth below.

Summary of Qualification of Directors

The Board believes that it is necessary for each of the Company s directors to possess many qualities and skills. When searching for new candidates, the Nominating and Corporate Governance Committee (the Nominating Committee) considers the evolving needs of the Board and searches for candidates who fill any current or anticipated future needs. The Board also believes that all directors must possess extensive business management experience (such as experience as a chief executive officer, chief financial officer or other senior executive officer) and educational experience. The Nominating Committee first considers a candidate s management experience and then considers issues of judgment, background, stature, potential conflicts of interest, integrity, ethics and commitment to the goal of maximizing stockholder value when considering director candidates. The Nominating Committee also focuses on issues of diversity, such as diversity of gender, race and national origin, education, professional experience and differences in viewpoints and skills. The Nominating Committee does not have a formal policy with respect to diversity, but the Board and the Nominating Committee believe that it is essential that the Board members represent diverse viewpoints. In considering candidates for the Board, the Nominating Committee considers the entirety of each candidate s credentials in the context of these standards. With respect to the nomination of continuing directors for re-election, the individual s contributions to the Board are also considered.

The Board believes that there are certain general requirements that are critical for service on the Board, while there are other skills and experiences that should be represented on the Board as a whole but not necessarily by each individual director.

General requirements for all directors:

- Extensive executive leadership experience;
- Excellent business judgment;
- High level of integrity and ethics;
- Extensive compliance and risk management experience;
- Original and entrepreneurial thinking; and

- Strong commitment to the Company s goal of maximizing stockholder value.

Experiences, qualifications, and backgrounds to be represented on the Board as a whole:

- Financial and/or accounting expertise;
- Consumer products expertise;
- Diversity of background;
- Knowledge of international markets;
- Chief Executive Officer/Chief Operating Officer/Chief Financial Officer experience; and
- Extensive board experience.

Certain individual qualifications and experiences of the directors that contribute to the Board s effectiveness as a whole are described in the following paragraphs.

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Name	Present positions and offices with the Company, principal occupations and other directorships during the past five years	Age	Year first elected director
Richard A. Goldstein	Retired since May 2006; Chairman and Chief Executive Officer of International Flavors & Fragrances Inc., a manufacturer of flavor and fragrance products, from June 2000 until May 2006. Currently also a director of The Interpublic Group of Companies, Inc., Fiduciary Trust Company International and Fortune Brands Home & Security, Inc. Formerly a director of International Flavors & Fragrances Inc.	72	2006

Richard Goldstein s background as a lawyer, and his 30-year background in consumer packaged goods as Chief Executive Officer of a supplier to consumer goods companies, provides a unique perspective to the Board.

Stephen W. Golsby	Retired since April 2013; President and Chief Executive Officer of Mead Johnson Nutrition Company, a manufacturer of pediatric nutrition products, from September 2008 until April 2013; President of Mead Johnson from January 2004 to September 2008; President, International of Mead Johnson from 2001 to 2003. Currently also a director of Mead Johnson Nutrition Company.	59	2011

Stephen Golsby was formerly the Chief Executive Officer of a publicly-traded global consumer products company. He brings to the Board extensive consumer products company leadership experience and valuable insights with respect to international operations.

Ann F. Hackett	Founder and President of Horizon Consulting Group, LLC, a provider of business strategy, organizational, and human resources advice, since 1996. Currently also a director of Capital One Financial Corporation and Fortune Brands Home & Security, Inc.	60	2007

Ann Hackett founded a company that provides strategic, organizational and human resource consulting services to boards of directors and senior management teams. She brings to the Board entrepreneurial experience and expertise in strategy and human resources.

A.D. David Mackay (Chairman of the Board)	Retired since January 2011; President and Chief Executive Officer of Kellogg Company, a ready-to-eat cereal and convenience foods company, from December 2006 until December 2010; President and Chief Operating Officer of Kellogg Company from September 2003 to December 2006. Currently also a director of Fortune Brands Home & Security, Inc., Green Mountain Coffee Roasters, Inc. and Woolworths Limited. Formerly a director of Kellogg Company.	58	2006

David Mackay served as Chief Executive Officer of one of the world s premier packaged goods companies, bringing to our Board the perspective of a leader who faced similar external economic, social and governance issues to those that face our Company.

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Name	Present positions and offices with the Company, principal occupations and other directorships during the past five years	Age	Year first elected director
Gretchen W. Price	Executive Vice President, Chief Financial Officer and Administrative Officer of Arbonne International, LLC, a prestige personal care products company, since July 2011; Executive Vice President, Administration and Chief Financial Officer of Philosophy, Inc. from 2008 to July 2011; various senior leadership positions at Procter & Gamble prior to 2008, most recently as Vice President of Finance. Currently also a director of Cincinnati Financial Corporation.	59	2012

Gretchen Price serves as the Chief Financial Officer of an international consumer products company. She brings to the Board valuable experience and expertise in accounting, auditing and financial reporting.

Matthew J. Shattock (President and Chief Executive Officer)	President and Chief Executive Officer of the Company since October 2011; President and Chief Executive Officer of Beam Global Spirits & Wine, Inc. from March 2009 to October 2011; Region President of Cadbury Plc, a confectionary company, from 2003 to 2008; Chief Operating Officer of Unilever Best Foods North America, a leading consumer goods company, from 2000 to 2002; various senior leadership positions at Unilever from 1986 to 2000. Currently also a director of V.F. Corporation.	51	2011

Matthew Shattock s day-to-day leadership as President and Chief Executive Officer of Beam Inc. provides him with intimate knowledge of our business strategy and operations. Matthew Shattock also serves as an important liaison between management and the independent directors of the Board.

Robert A. Steele	Retired since September 2011; Vice Chairman Global Health and Well Being of Procter & Gamble, a consumer brands company, from July 2007 to September 2011; Group President Global Household Care of Procter & Gamble from April 2006 to July 2007. Currently also a director of Green Mountain Coffee Roasters, Inc. Formerly a director of Kellogg Company.	58	2011

Robert Steele possesses particular knowledge and experience in accounting and financial matters. He has extensive understanding of the branded consumer products industry and provides the Board insights into consumer dynamics, manufacturing and supply chain, marketing and the retail environment.

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Name	Present positions and offices with the Company, principal occupations and other directorships during the past five years	Age	Year first elected director
Peter M. Wilson	Retired since March 2004; Chairman of Gallaher Group Plc, a UK-based company, from May 1997 through March 2004. Formerly a director of Kesa Electricals plc.	72	1994

In addition to a career of over 45 years in marketing consumer goods, Peter Wilson s experience as Chief Executive Officer of a UK-based, international consumer goods company provides the Board with a global perspective.

Executive Officers

The name, present position and offices with the Company, principal occupations during the past five years and age of each of the Company s executive officers are set forth below. References to Beam Global Spirits & Wine, Inc. are to the spirits operating segment of Fortune Brands, Inc. prior to the Spin-Off.

Name	Present positions and offices with the Company and principal occupations during the past five years	Age
Matthew J. Shattock	President and Chief Executive Officer of the Company since October 2011; President and Chief Executive Officer of Beam Global Spirits & Wine, Inc. from March 2009 to October 2011; Region President of Cadbury Plc, a confectionary company, from 2003 to 2008.	51
Robert F. Probst	Senior Vice President and Chief Financial Officer since October 2011; Senior Vice President and Chief Financial Officer of Beam Global Spirits & Wine, Inc. from September 2008 to October 2011; Vice President Finance at Baxter International Inc., a global diversified healthcare company, from January 2005 to September 2008 where he was a divisional chief financial officer responsible for financial services, strategic planning and business development.	46
William A. Newlands	Senior Vice President and President, North America since October 2011; Senior Vice President and President, North America of Beam Global Spirits & Wine, Inc. from December 2010 to October 2011; Senior Vice President and President, USA of Beam Global Spirits & Wine, Inc. from February 2008 to December 2010.	55
Albert Baladi	Senior Vice President and President, Europe/Middle East/Africa since October 2011; Senior Vice President and President, Europe/Middle East/Africa of Beam Global Spirits & Wine, Inc. from March 2011 to October 2011; Managing Director, South Pacific of YUM! Restaurants International, a division of YUM! Brands, Inc., the world s largest quickserve restaurant company, from January 2008 to February 2011, where he led the business in Australia and New Zealand.	49
Nicholas I. Fink	Senior Vice President and President, Asia-Pacific/South America since January 2014.	39

	Senior Vice President, Chief Strategy Officer from May 2012 to December 2013; Vice President, Strategy & Corporate Development from January 2012 to May 2012; Managing Director of Beam Canada from May 2010 to December 2011; Senior Brand Director Courvoisier and Fortified Wines from October 2009 to May 2010; Associate General Counsel of Beam Global Spirits & Wine, Inc. from June 2006 to October 2009.	
Kevin B. George	Senior Vice President and Chief Marketing Officer since October 2011; Senior Vice President and Chief Marketing Officer of Beam Global Spirits & Wine, Inc. from September 2009 to October 2011; Vice President and General Manager, Unilever N.V., one of the world s leading suppliers of consumer goods, from August 2006 to September 2009, where he managed one of Unilever s three U.S. business units.	47
C. Clarkson Hine	Senior Vice President Corporate Communications and Public Affairs since October 2011; Vice President Corporate Communications and Public Affairs from January 2009 to October 2011; Vice President Corporate Communications from September 1999 to January 2009.	51
Mindy Mackenzie	Senior Vice President and Chief Performance Officer since December 2013; Senior Vice President and Chief Human Resources Officer from October 2011 to December 2013; Senior Vice President Human Resources of Beam Global Spirits & Wine, Inc. from January 2010 to October 2011; Vice President Human Resources and Communications APAC of Campbell Soup Company, a global manufacturer of branded convenience food products, from January 2008 to December 2010, where she directed all regional human resources and communication programs.	43
John Owen	Senior Vice President, Chief Supply Chain Officer since September 2013; Senior Vice President, Global Supply Chain and Process Excellence of Avon Products, Inc., a global manufacturer and marketer of beauty and related products, from 2011 to 2013, where he was responsible for global supply chain management; Senior Vice President, Global Supply Chain of Avon from 2005 to 2011.	56
Kenton R. Rose	Senior Vice President, General Counsel and Chief Administrative Officer and Secretary since October 2011; Senior Vice President, General Counsel and Chief Administrative Officer of Beam Global Spirits & Wine, Inc. from October 2001 to October 2011.	56

In the case of each of the above-listed executive officers, the occupations given were the principal occupation and employment during the periods indicated. No executive officers are related to any other executive officer. No executive officer was selected pursuant to any arrangement or understanding between the executive officer, director, or director nominee and any other person. All executive officers are elected annually by the Board of Directors

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and certain officers, as well as persons who have beneficial ownership of more than 10 percent of our common stock, to file initial reports of beneficial ownership on Form 3, and reports of subsequent changes in beneficial ownership on Forms 4 or 5, with the SEC. Based solely on our review of these forms, and certifications from our officers and directors that no other reports were required for such persons, we believe that all directors and officers subject to Section 16 complied with the filing requirements applicable to them for the fiscal year ended December 31, 2013.

Code of Ethics

The Company s Board of Directors has adopted a Code of Ethics for the CEO and Senior Financial Officers that applies to the Company s principal executive officer, principal financial officer, and principal accounting officer and controller. The Code of Ethics for the CEO and Senior Financial Officers is available, free of charge, on the Company s website, www.beamglobal.com. A copy of the Code of Ethics for the CEO and Senior Financial Officers is also available and will be sent to shareholders free of charge upon written request to the Company s Secretary. Any amendment to, or waiver from, the provisions of the Code of Ethics for the CEO and Senior Financial Officers that applies to any of those officers will be posted to the same location on the Company s website.

Corporate Governance Principles

The Board has adopted Corporate Governance Principles, which are available at http://investor.beamglobal.com under the tab Corporate Governance Company Policies. The Principles describe our corporate governance practices and address corporate governance issues such as Board composition and responsibilities, compensation of directors and executive succession planning.

Board Committees

The Board has established an Executive Committee, an Audit Committee, a Compensation and Benefits Committee, a Nominating and Corporate Governance Committee and a Corporate Responsibility Committee. The Audit, Compensation and Benefits, and Nominating and Corporate Governance Committees are composed entirely of independent directors, as defined under the New York Stock Exchange Listed Company Manual and the Company s Corporate Governance Principles. The charters of these committees (other than the Executive Committee, which does not have a charter) and a list of current committee memberships are available on the Company s website at http://investor.beamglobal.com under the tab Corporate Governance Committees of the Board.

The Committee memberships as of the date of this Amendment are set forth below:

Name	Audit	Compensation and Benefits	Corporate Responsibility	Executive	Nominating and Corporate Governance
Richard A. Goldstein	X			X	X
Stephen W. Golsby		X	X		
Ann F. Hackett		C			X
A.D. David Mackay	X			C	C
Gretchen W. Price(1)	C	X			
Matthew J. Shattock			X	X	
Robert A. Steele	X		X		X
Peter M. Wilson		X	C	X	

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An X indicates membership on the committee.

A C indicates that the director serves as the Chair of the committee.

(1) Gretchen Price became a member of the Compensation and Benefits Committee effective July 30, 2013 and the Chair of the Audit Committee on September 18, 2013.

Audit Committee

The Company s separately designated Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the Exchange Act). The Audit Committee comprises the following four members: Richard Goldstein, David Mackay, Gretchen Price and Robert Steele. Each member of the Audit Committee, as of the date of this Amendment, is financially literate, has accounting or financial management expertise and has been determined by our Board to be an audit committee financial expert as defined in Item 407(d)(5)(ii) and (iii) of Regulation S-K under the Securities Exchange Act of 1934 (the Exchange Act). Each Audit Committee member has also been determined by our Board to be independent as such term is defined in Rule 10A-3 under the Exchange Act and the New York Stock Exchange Listed Company Manual.

Item 11. Executive Compensation.

COMPENSATION DISCUSSION AND ANALYSIS

IMPACT OF MERGER AGREEMENT

On January 12, 2014, the Company entered into an Agreement and Plan of Merger (as amended as of March 11, 2019, the Merger Agreement), with Suntory Holdings Limited, a Japanese corporation (Suntory Holdings), and SUS Merger Sub Limited, a Delaware corporation and a wholly-owned subsidiary of Suntory Holdings (Merger Sub). Subject to the terms and conditions of the Merger Agreement, Merger Sub will be merged into Beam (the Merger), with Beam surviving the Merger as a wholly-owned subsidiary of Suntory Holdings. The Merger Agreement provides for the treatment of outstanding equity awards, including those grants made in 2013. Specifically, upon the closing of the transaction contemplated by the Merger Agreement, (1) each outstanding stock option will vest in full; (2) each Restricted Stock Unit (RSU) Award will vest in full; and (3) each performance award will vest on a pro-rated basis and the applicable performance goal(s) will be deemed to have been satisfied at 100% of the target level of performance. For more information, please refer to Treatment of Equity Awards on page 4 of our definitive proxy statement on Schedule 14A filed with the SEC on February 19, 2014.

EXECUTIVE SUMMARY

This Compensation Discussion and Analysis (CD&A) describes our executive pay philosophy, the process we use to establish executive pay and the pay program applicable to our named executive officers (NEOs) during 2013. The Compensation and Benefits Committee of the Board (the Compensation Committee) administers our executive pay program. This CD&A provides information regarding the compensation and benefits provided to the following NEOs:

Name	Title

Matthew J. Shattock	President and Chief Executive Officer (CEO)
Robert F. Probst	Senior Vice President and Chief Financial Officer (CFO)
William A. Newlands	Senior Vice President and President, North America
Philip Baldock	Former Senior Vice President and President, Asia-Pacific/South America
Albert Baladi	Senior Vice President and President, Europe/Middle East/Africa

2013 Business Highlights

Beam Inc. in 2013 extended its track record of delivering profitable growth and further strengthened its position as a leader in the global spirits industry.

The Company has long believed in a pay-for-performance approach to compensation. The Company s financial results, performance against targets, and achievement of strategic goals were important considerations for the Compensation Committee as it made compensation decisions in 2013. Beam Inc. evaluates overall Company performance and geographic performance for the following segments: North America; Europe, Middle East and Africa (EMEA); and Asia Pacific and South America (APSA).

In 2013, the Company continued to execute its disciplined growth strategy that relies on Creating Famous Brands, Building Winning Markets and Fueling Our Growth.

Net sales reached a record in 2013, increasing 4% to $2.55 billion (excluding excise taxes).

The Company s primary growth drivers were premium whiskeys led by Jim Beam, Maker s Mark, Canadian Club, Knob Creek, Basil Hayden s and Laphroaig a full-year of results for Pinnacle Vodka (acquired in 2012), and innovative new products.

Geographically, comparable sales growth was led by market outperformance in North America (+5%) and EMEA (+6%), partly offset by lower sales in APSA (-9%), the company s smallest segment.*

Beam delivered growth in earnings per share before charges/gains that exceeded the Company s long-term target of high-single-digit growth. Diluted earnings per share before charges/gains increased 10% to $2.63.* On a GAAP basis, diluted earnings per share were off 11% at $2.24, reflecting net charges related to items including early extinguishment of debt and a non-cash impairment of a tradename in Spain.

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Beam generated free cash flow of $332 million, above the company s updated 2013 target of $275-325 million.*

The Company continued its strong stewardship of capital and maintained a strong balance sheet. During the year, Beam increased the dividend 10% and refinanced a portion of its long-term debt. Return on invested capital was 7% and was 23% excluding intangibles.*

Beam Inc. s stock, including dividends, returned 13% from January 1, 2013 to December 31, 2013.

* **Reconciliations for non-GAAP measures to the most closely comparable GAAP measures are presented in Appendix A to this report, along with a description of the methodology used to determine such non-GAAP measures.**

Beam entered 2014 with momentum in the marketplace and confidence in its prospects to deliver sustainable, profitable long-term growth.

Pay-for-Performance in 2013

The Compensation Committee and the Company strive to create a pay-for-performance culture. The compensation actions for 2013 reflected the Company s commitment to this performance-based culture, as described below:

More than 60% of each NEO s target total compensation is at risk incentive pay, and approximately 85% of the CEO s target total compensation is at risk incentive pay.

Each NEO participated in the Beam Executive Incentive Plan, which annually awards incentive compensation based on pre-established performance goals relating to net sales, operating income and free cash flow.

Each NEO received 2013 long-term incentive grants of a combination of the following: performance share awards, stock options and restricted stock units.

Summary of Executive Compensation Practices

To assure that our executive pay practices emphasize and drive our business model, align executive interests with those of stockholders and appropriately balance governance, oversight and risk management, our Compensation Committee, composed entirely of independent directors, has adopted the following corporate governance practices that are supportive of our executive compensation objectives and philosophies.

What We Do

ü Pay for performance with appropriate caps on incentive plans

ü Target compensation around the 50th percentile of our peer group

ü Design our compensation practices to avoid excessive risk

ü Use an independent compensation consultant that provides no other services to the Company

ü Require our executives to maintain a significant ownership interest in the Company s stock

ü Maintain a clawback policy that allows the Company to recoup incentive payments in the event of certain financial restatements

ü Require a double trigger in the event of a change in control for cash severance and for most equity to be accelerated

What We Don t Do

û We don t allow executives to hedge their exposure to ownership of, or interest in, Company stock

û We don t allow executives to pledge shares of Company stock to secure debts or other obligations

û We don t pay dividends or dividend equivalents on unearned performance shares

û We don t reprice stock options

û We don t pay an excise tax gross up on severance benefits

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COMPENSATION PHILOSOPHY

Key Objectives

The Compensation Committee has established the following objectives that apply to the Company s executive pay program:

Objective	Rationale
Align the interests of management with those of the Company s stockholders	To assure that management takes both an immediate and long-term approach to the Company, the Company employs a combination of short-term and long-term incentive programs, which the Compensation Committee believes align the interests of executives with those of stockholders. The Company s Stock Ownership Guidelines also reinforce the alignment of executive interests with those of the Company and its stockholders.
Maintain a total rewards strategy that supports the Company s overall business strategy	The total rewards strategy encourages a cooperative approach to developing innovative business solutions, while aligning employee behavior with the Company s priorities and values.
Reinforce the pay-for-performance culture at the Company	Pay-for-performance is a key principle in our compensation philosophy; it is not only important that NEOs and key executives exemplify the pay-for-performance culture, but that their actions, both individually and collectively, as key business leaders, are reinforced through the attainment of positive business outcomes.
Attract, retain and motivate superior executive talent through competitive salary and total compensation	In order to outperform our competitors in all areas, we believe we need to regularly evaluate, improve and innovate, and therefore must be able to continuously attract, retain and motivate key talent.
Provide incentive compensation that promotes desired behavior without encouraging excessive risk	We recognize the importance of sustained performance, but we do not encourage or tolerate behavior that would result in excessive risk to the Company. Our plans and programs are designed to encourage innovation and entrepreneurial thinking and behavior in a manner that does not put the Company at unnecessary risk.

Guiding Principles

The Compensation Committee has further developed the following principles that it believes support the objectives outlined above:

Principle	Rationale
An independent compensation committee should establish and review total executive pay	Our pay-for-performance culture requires ongoing measurement of business and individual performance against goals. Therefore, it is important to assure through independent assessment and critical review that executive pay plans and arrangements align individual and Company performance with the stated objectives of the Company.
Compensation should be competitive with our peers, and allow flexibility to attract key personnel while reflecting the global nature of our workforce	To attract the highest caliber talent, it is important that we provide a total compensation package that not only allows the Company to maintain its current workforce, but also attract and retain other key personnel.
Incentive compensation should align with and help reinforce business strategy and objectives and the Company s desired culture, and incentivize desired behavior	Incentive compensation is a key component in our pay-for-performance culture. Short-term and long-term incentive compensation directly connects individual compensation with the attainment of the Company s financial and strategic goals, including sales, operating income, earnings per share performance and value creation for stockholders.

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A significant portion of executive pay should be equity-based	To increase the executives focus on the Company s long-term performance, align their interests with those of our stockholders and create an ownership culture, it is important that a significant portion of executive pay be at-risk in the form of equity-based compensation.
Stock ownership guidelines should be followed	To foster an ownership mentality and, specifically, to further align the economic interests of key executives with those of our stockholders, it is important that such executives hold a meaningful level of the Company s stock throughout their tenure with the Company.

PROCESS FOR ESTABLISHING EXECUTIVE PAY

Roles in the Executive Pay Process

Beam maintains a rigorous executive pay process. The following identifies the various parties that participated in the Company s 2013 executive pay review and approval process and describes the role of each party in the process.

Board of Directors

The Board annually reviews the CEO s performance with respect to specified performance goals established by the Board and consults with the Compensation Committee with respect to appropriate CEO compensation.

Compensation Committee

The Compensation Committee establishes total target compensation and short-term and long-term incentive plan goals for the CEO in consultation with independent members of the Board and reports CEO compensation to the Board in executive session.

The Compensation Committee works with the CEO and reviews his evaluation of the performance of his direct reports as well as the performance evaluation for other executive officers. The committee approves compensation actions for such officers (with the input of the CEO) and administers employee compensation and benefit programs delegated to the Compensation Committee as reflected in its charter, including approval of performance goals under annual incentive plans equity program design, and grant levels.

When establishing executive pay, the Compensation Committee reviews tally sheets that include data on individual items of compensation and each executive s current and historical total compensation package. The review considers compensation currently payable, benefits and perquisites, as well as contingent compensation, including incentive compensation and compensation payable only if certain circumstances occur, such as involuntary termination of employment without cause or certain terminations of employment following a change in control.

CEO

The CEO evaluates each of his direct report s performance and reports to the Compensation Committee on the performance of each direct report and each executive officer. He also recommends prospective compensation actions to the Compensation Committee with respect to the direct reports and other executive officers.

While the Compensation Committee and/or the Board may request that the CEO participate in meetings and provide information that it deems helpful in reviewing and establishing executive compensation, under no circumstances does the CEO participate in the Compensation Committee s review and establishment of CEO compensation.

Independent Compensation Consultant

The Compensation Committee retains Meridian Compensation Partners, LLC (Meridian) as its independent compensation consultant. Meridian provides advice and recommendations to the Compensation Committee regarding the amount and form of executive pay. Meridian regularly communicated with the Compensation Committee during 2013 and participated in seven Compensation Committee meetings during 2013 and related executive sessions. Meridian provides advice and guidance to the Compensation Committee, including market-competitive data that assists the committee in evaluating and establishing executive pay.

To assure Meridian s ongoing independence, Meridian is prohibited from providing other services to the Company or its management. The Compensation Committee assessed Meridian s independence against the six independence factors adopted by the SEC, including whether Meridian had any actual or potential conflicts of interest. In addition, the Compensation Committee reviewed Meridian s terms of engagement and its compensation and performance during 2013 and determined that Meridian had no relationship with any of the Company s executive officers. Based on this review and assessment, the Compensation Committee concluded that Meridian was and continues to remain independent.

Peer Group Companies

The Compensation Committee, with Meridian s advice and assistance, reviews current compensation against compensation of similarly situated public companies and direct competitors (the Peer Group). The Compensation Committee works with Meridian to review the Company s Peer Group selection criteria and ultimately the Peer Group selected. The Compensation Committee, considering the advice of Meridian, regularly reviews the Peer Group to assure that the Peer Group reflects what the Compensation Committee believes to be an accurate representation of market comparators. The Compensation Committee considers revenue, market capitalization, relative financial and stock performance, industry, market segment, international footprint, competitors for executive talent and whether the company is a direct competitor of the Company, among other factors, when reviewing and establishing the Peer Group. After careful review and consideration, the Compensation Committee provides final approval of the Peer Group.

The following is the Peer Group used by the Company to establish compensation for executives for the fiscal year ended December 31, 2013:

Brown-Forman Corporation	**H.J. Heinz Co.**
Campbell Soup Co.	**The Hershey Co.**
Constellation Brands, Inc.	**Hormel Foods Co.**
Dean Foods Co.	**Lorillard Co.**
Del Monte Foods Co.	**McCormick & Co. Inc.**
Diageo plc	**Molson Coors Brewing Co.**
Dr. Pepper Snapple Group Inc.	**Monster Beverage Corp.**
Flowers Foods, Inc.	**Ralcorp Holdings Inc.**
Green Mountain Coffee Roasters Inc.	**Reynolds America Inc.**
	The J.M. Smucker Co.

Benchmarking

The Compensation Committee annually benchmarks individual executive pay and the overall executive pay program design against the Peer Group.

The Compensation Committee targets total compensation within the competitive range of the 50^{th} percentile of Peer Group compensation, based on size-adjusted market data. While the Compensation Committee generally aims to provide compensation within the targeted range, factors unique to a particular executive, including his or her employment situation or special skills, employment location, experience and performance may affect the executive s base salary and total compensation either positively or negatively compared to the targeted range. The Compensation Committee considers the following factors when establishing an executive s compensation in addition to market data:

Role and responsibilities within the Company;

Experience and value to the Company;

Individual performance;

Long-term succession potential; and

Ability of the Company to replicate the executive s knowledge, skills and abilities.

The total target compensation (i.e., the sum of base salary, target annual incentive opportunity and target long-term incentive opportunity) for the NEOs other than Messrs. Baldock and Baladi was within the competitive range of the 50th percentile of market comparability data.

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Mr. Baladi s total target compensation was above the 50th percentile of peer group compensation. The Compensation Committee reviewed Mr. Baladi s total target compensation, recognizing that it fell outside the Company s target range, and determined the compensation to be appropriate based on his strong record of success and unique skill set as well as differences in regional market data.

Mr. Baldock s total target compensation was at the third quartile of peer group compensation. The Compensation Committee reviewed Mr. Baldock s total target compensation, recognizing that it fell outside the Company s target range, and determined the compensation to be appropriate. Mr. Baldock retired from the Company effective December 31, 2013.

Stockholder Input

The Compensation Committee also seeks to assure that the Company s executive pay program is aligned with the interests of its stockholders. In that respect, as part of its ongoing review of the Company s executive pay program, the Compensation Committee considered the approval by more than 94% of the votes cast for the Say on Pay vote at the Company s 2013 annual meeting of stockholders and determined that the Company s executive pay philosophy, compensation objectives, and compensation elements continued to be appropriate and did not suggest any changes to the Company s executive pay program in response to such vote.

ELEMENTS OF NEO PAY

The principal components of NEO compensation are base salary, annual and long-term incentive compensation and retirement and severance benefits. The chart below depicts the relative weighting of 2013 base salary and target annual and long-term incentives for our NEOs.

Base Salary

The Company provides a market-competitive base salary to its NEOs to attract and retain quality talent. Each NEO s base salary recognizes level of responsibility, experience, regional market differences in order to be competitive, individual performance and tenure. The Compensation Committee may adjust base salaries from the targeted pay objective to reflect a particular NEO s unique skill set, experience, performance, and expertise. In 2013, base salaries for NEOs other than Mr. Baldock were increased consistent with a typical market merit increase as reflected in the chart below. The base salaries for the NEOs as of December 31, 2013 and 2012 were as follows:

NEO	Base Salary 12/31/13	Base Salary 12/31/12	Percent Increase
Matthew J. Shattock	$1,030,000	$1,000,000	3.00%
Robert F. Probst	$580,000	$561,000	3.40%
William A. Newlands	$580,000	$561,000	3.40%
Philip Baldock	AUD$678,000 (USD$604,573) [1]	AUD$678,000 (USD$704,713)[1]	0.00%
Albert Baladi	EUR$417,150	EUR$386,250	8.00%

	(USD$573,289) [2]	(USD$509,580)[2]

[1] Based on a conversion rate of AUD to USD of 1 to 0.8917 on December 31, 2013 and AUD to USD of 1 to 1.0394 on December 31, 2012.

[2] Based on a conversion rate of EUR to USD of 1 to 1.3743 on December 31, 2013 and EUR to USD of 1 to 1.3193 on December 31, 2012.

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Annual Incentive Compensation

Each NEO participated in the Beam Executive Incentive Plan (the EIP) in 2013. The Company provides awards to NEOs under the EIP to align each NEO s performance with the short-term goals of the Company, as measured by sales, operating income and Company free cash flow performance. The Compensation Committee established targets and executive awards under the EIP based on a combination of performance metrics. For Messrs. Shattock and Probst, the Compensation Committee established goals under a Company net sales/operating income matrix and based on Company free cash flow. For Messrs. Newlands, Baldock and Baladi, the Compensation Committee established targets under the same metrics applicable to Messrs. Shattock and Probst, plus a regional matrix aligned with their own respective areas of responsibility. The metrics applicable to each executive were evaluated and approved by the Compensation Committee to align the compensation of each executive with Company-wide and/or business segment performance, depending on the executive s role within the Company. The operating income metrics in the respective matrices are on a before charges/gains basis.

Executive awards under the EIP are subject to discretionary adjustment by the Compensation Committee based on its evaluation of performance and overall contributions to the performance of the Company. In making any such discretionary adjustments, the Compensation Committee takes into consideration performance against specific goals, outstanding performance in a particular region, entrepreneurial and outstanding achievement, innovation, outstanding and forward thinking leadership, establishment of new relationships and product lines, success despite regional or broader market challenges, and other individual efforts that exceed expectations or the executive s scope of duties and drive the Company s success. The Committee may also adjust awards to account for unusual or unexpected events, the impact of acquisitions and divestitures, and non-recurring items.

Weighting of EIP performance metrics for 2013 are set forth in the following table:

NEO	**2013 Metrics**
Matthew J. Shattock	80% Beam Sales/Operating Income Matrix; 20% Beam Free Cash Flow
Robert F. Probst	80% Beam Sales/Operating Income Matrix; 20% Beam Free Cash Flow
William A. Newlands	60% Segment Sales/Operating Income Matrix; 20% Beam Sales/Operating Income Matrix; 20% Beam Free Cash Flow
Philip Baldock	60% Segment Sales/Operating Income Matrix; 20% Beam Sales/Operating Income Matrix; 20% Beam Free Cash Flow
Albert Baladi	60% Segment Sales/Operating Income Matrix; 20% Beam Sales/Operating Income Matrix; 20% Beam Free Cash Flow

A particular performance matrix is built around targets for sales and operating income performance for the Company or particular business segment, which produces an operating income margin focus. The Company or business segment must achieve at least the minimum operating income growth threshold in order to receive a payout. For 2013, the threshold and maximum award opportunities were 20% and 200% of target, respectively.