

TYSON FOODS INC
Form 8-K
November 22, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: November 22, 2016
(Date of Earliest Event Reported): November 17, 2016

Tyson Foods, Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation or organization)

001-14704
(Commission File Number)

71-0225165
(IRS Employer Identification No.)

2200 West Don Tyson Parkway, Springdale, AR 72762-6999
(479) 290-4000
(Address, including zip code, and telephone number, including area code, of
Registrant's principal executive offices)

Not applicable
(Former name, former address and former fiscal year, if applicable)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

CEO Transition. On November 17, 2016, the Board of Directors of Tyson Foods, Inc. (together with its subsidiaries, the “Company”), announced that, effective December 31, 2016, Tom Hayes will become President and Chief Executive Officer (“CEO”) of the Company. He is also joining the Board of Directors effective immediately. Mr. Hayes was previously promoted to President on June 13, 2016. Mr. Hayes is a 29-year veteran of the consumer products industry. Prior to his role as President, Mr. Hayes was the Chief Commercial Officer at the Company, overseeing all North American sales, in addition to the food service prepared foods line of business. In connection with his appointment to CEO, Mr. Hayes entered into a second amended and restated employment contract (the “Hayes Contract”).

The Hayes Contract provides for, among other things, an annual base salary of \$1,150,000, participation in the Company’s annual performance incentive programs on terms and in amounts as determined by the Compensation and Leadership Development Committee (“CLDC”), eligibility for equity awards under the Company’s equity incentive plans on terms and in amounts as determined by the CLDC, and participation in the Company’s benefit plans. The Hayes Contract also provides that upon a termination by the Company (other than for “cause” or by reason of death or permanent disability) or if Mr. Hayes resigns for “good reason”, the Company will pay Mr. Hayes an amount equal to two years of his base salary and two times his target annual cash bonus, to be paid out over two years, plus continued medical coverage for up to 18 months. Additionally, Mr. Hayes is entitled to personal use of Company-owned aircraft in a manner consistent with the Company’s policy governing aircraft use; for fiscal year 2017, the CLDC has approved up to 50 hours of personal use by Mr. Hayes of Company-owned aircraft. Current Company policy is to “gross up” for tax purposes any approved personal use of Company-owned aircraft. The Hayes Contract contains a non-competition restriction for a period of 24 months post termination; the non-competition restriction has been broadened and is longer than the non-competition restriction contained in his previous contract (previously it was for 12 months post termination.) The Hayes Contract also contains a 36 month post-termination non-solicit restriction.

The foregoing description is qualified by reference to the full text of the Hayes Contract, which is filed as Exhibit 10.1 attached hereto and is incorporated by reference in its entirety into this Item 5.02.

Mr. Hayes does not have any family relationships with any of the Company’s directors or executive officers and is not a party to any transactions listed in Item 404(a) of Regulation S-K.

On November 21, 2016, the Board also announced that Donnie Smith will step down as the CEO, effective December 31, 2016. Previously, on June 13, 2016, Mr. Smith stepped down as the Company’s President. In connection with Mr. Smith’s announced departure, the Company and Mr. Smith entered into a transition, non-compete and consulting agreement (the “Smith Transition Agreement”). As part of the Smith Transition Agreement, Mr. Smith has agreed to an expanded non-competition agreement which extends the duration of his existing non-competition agreement from 12 months to 24 months post-termination. The Smith Transition Agreement also contains a 36 month non-solicit restriction. Pursuant to the Smith Transition Agreement, Mr. Smith will receive severance payments under the terms of his employment contract commensurate with a termination without “cause”. These benefits include continued payments of Mr. Smith’s base salary for a period of three years, vesting of his performance shares, on a pro-rata basis determined by taking the total number of days Mr. Smith was employed during the applicable performance period divided by the total number of days of such performance period, but only to the extent the performance criteria are satisfied. With respect to stock options held by Mr. Smith at the date of his separation, such grants will vest 100% at the time of Mr. Smith’s separation. In addition, with respect to restricted stock held by Mr. Smith at the date of separation, such grants will vest 100% at the time of Mr. Smith’s separation. The Smith Transition Agreement also contemplates a three year consulting term during which Mr. Smith has agreed to provide consulting services to the Company as requested by the Board or its designee or the CEO in exchange for an annual fee of \$2,300,000. The Board believes that entering into such an arrangement is in the best interests of the Company and will provide for a

smooth and seamless transition of CEO duties.

The foregoing description is qualified by reference to the full text of the Smith Transition Agreement, which is filed as Exhibit 10.2 attached hereto and is incorporated by reference in its entirety into this Item 5.02.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit No. Description

- | | |
|------|--|
| 10.1 | Amended and Restated Employment Agreement dated as of November 17, 2016, entered into between the Company and Thomas P. Hayes. |
| 10.2 | Transition, Non-Compete, and Consulting Agreement dated as of November 17, 2016, between the Company and Donald J. Smith. |
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TYSON FOODS, INC.

Date: November 22, 2016 By: /s/ Dennis Leatherby

Name: Dennis Leatherby
Title: Executive Vice President and
Chief Financial Officer

T> a Change in Control 2,283,775 1,171,436 7,257,996 0 10,713,207 Michael F.
Roman Retirement 0 0 0 0 0 Death 3,117,476 2,976,489 6,848,877 3,000,000 15,942,842 Disability 0 2,976,489 0 0 2,976,489
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Shin Retirement 0 0 0 0 0 Death 3,037,214 2,976,489 6,696,302 3,697,668 16,407,673 Disability 0 2,976,489 0 0 2,976,489
reason 0 0 0 0 0 Qualifying Termination in Connection with a Change in
Control 2,134,039 2,976,489 6,696,302 0 11,806,830

FOOTNOTES TO 2017 POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL TABLE

(1) The amounts in this column reflect the value of performance share awards under the 2008 Long-Term Incentive Plan and 2016 Long-Term Incentive Plan for which the three-year performance period has not been completed (adjusted to reflect the closing price of a share of 3M common stock on the NYSE for December 29, 2017 (\$235.37)), and which would be paid upon the occurrence of the respective triggering events in accordance with the provisions of the plan.

(2) The amounts in this column reflect the value of the shares underlying the unvested 3M restricted stock units that would vest upon the occurrence of the respective triggering events in accordance with the terms of the awards. Share values are based on the closing price of a share of 3M common stock on the NYSE for December 29, 2017 (\$235.37).

(3) The amounts in this column reflect the spread value on December 31, 2017, of unvested, in-the-money 3M stock options that will vest upon the occurrence of the respective triggering events in accordance with the existing contractual terms of the stock options. Spread values are based on the closing price of a share of 3M common stock on the NYSE for December 29, 2017 (\$235.37).

(4) The amounts in this column reflect the life insurance proceeds that would be payable to each individual's beneficiary or beneficiaries pursuant to the policies obtained for them under the Executive Life Insurance Plan. Under such plan, individuals first appointed to an executive position on or before August 31, 2003, receive additional life insurance coverage that is provided through a whole life insurance policy or a universal life insurance policy and individuals first appointed on or after September 1, 2003, receive additional group term life insurance coverage.

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Pay Ratio

Presented below is the ratio of annual total compensation of our CEO to the annual total compensation of our median employee (excluding our CEO). The ratio presented below is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K under the Securities Exchange Act of 1934.

In identifying our median employee, we calculated the target annual total cash compensation of each employee as of December 31, 2017. For these purposes, annual total cash compensation included base salary or hourly wages, cash incentives, commissions and comparable cash elements of compensation in non-U.S. jurisdictions and was calculated using internal human resources records. All amounts were annualized for permanent employees who did not work for the entire year, such as new hires, employees on paid or unpaid leave of absence and employees called for active military duty. We did not apply any cost-of-living adjustments as part of the calculation.

We selected the median employee from among 90,823 full-time, part-time, temporary and seasonal workers who were employed as of December 31, 2017. As permitted by Item 402(u) of Regulation S-K, we excluded 1,575 employees (including 966 non-U.S. employees) who joined the Company during 2017 as part of our acquisition of Scott Safety when making this determination. Except for the employees excluded on the basis of the Scott Safety acquisition completed in 2017, we did not exclude any other employees (whether pursuant to the *de minimis* exemption for foreign employees or any other permitted exclusion).

As determined in accordance with Item 402 of Regulation S-K, the 2017 annual total compensation was \$20,494,285 for our CEO and \$63,338 for our median employee. Among other things, these amounts include base salary, overtime, incentive payments, stock-based compensation (based on the grant date fair value of awards granted during 2017), changes in pension values and retirement plan contributions. As calculated in this manner, the ratio of our CEO's total compensation to our median employee's total compensation for fiscal year 2017 is 324 to 1.

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STOCKHOLDER PROPOSALS

Proposal No. 4: Stockholder Proposal on Special Shareholder Meetings

3M has received a stockholder proposal from James McRitichie, 9295 Yorkship Court, Elk Grove, CA 95758, the owner of 84 shares of 3M common stock (the “Proponent”). The Proponent has requested that the Company include the following proposal and supporting statement (*in italics*) in its proxy statement for the Annual Meeting of Stockholders. The proposal may be voted on at the Annual Meeting only if properly presented by the Proponent or the Proponent’s qualified representative. For the reasons set forth following the Proponent’s statement, your Board of Directors recommends that you vote “AGAINST” this proposal.

RESOLVED:

The shareholders of 3M Company (MMM) (‘Company’) hereby request that the Board of Directors take the steps necessary to amend our bylaws and each appropriate governing document to give holders with an aggregate of 15% of our outstanding common stock the power to call a special shareowner meeting. This proposal does not impact our board’s current power to call a special meeting.

SUPPORTING STATEMENT:

Delaware law allows 10% of company shares to call a special meeting. A shareholder right to call a special meeting is a way to bring an important matter to the attention of both management and shareholders outside the annual meeting cycle. This is important because there could be 15-months between annual meetings.

A shareholder right to act by written consent and to call a special meeting are two complimentary ways to bring an important matter to the attention of both management and shareholders outside the annual meeting cycle. Both are associated with increased governance quality and shareholder value. Our Company offers no right of shareholders to act by written consent.

Currently, 64% of S&P 500 companies have adopted company bylaws, articles of incorporation, or charter provisions to allow shareholders to call a special meeting. Even more than half of all S&P 1500 companies allow shareholders

this right.

This topic won more than 44% support at our Company in 2016. According to Proxy Insight, 266 funds voted for, while 79 voted against. Unfortunately, large funds like Vanguard, State Street and BlackRock were among those voting against. We hope they and others will reconsider their position this year.

This proposal topic won majority votes last year at Salesforce.com, NETGEAR, CVS Health and United Rentals. It may be possible to adopt this proposal by simply incorporating this text into our governing documents:

“Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Chairman of the Board or the President, and shall be called by the Chairman of the Board or President or Secretary upon the order in writing of a majority of or by resolution of the Board of Directors, or at the request in writing of stockholders owning 15% net long of the entire capital stock of the Corporation issued and outstanding and entitled to vote.”

We urge the Board to join the mainstream of major U.S. companies and establish a right for shareholders owning 15% of our outstanding common stock to call a special meeting.

Please vote for: Special Shareowner Meetings – Proposal 4

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Board's Statement Opposing the Proposal

After careful consideration, and for the reasons set forth below, the Board believes that the proposal to ask our Board to take the steps necessary to give holders with an aggregate of 15 percent of our outstanding common stock the right to call a special stockholder meeting, subject to the conditions specified in the proposal, is not in the best interests of 3M or its stockholders for the following reasons:

Our stockholders already have a meaningful right to call a special meeting. The Company's Bylaws already permit the holders of 25 percent of 3M's outstanding stock to call a special stockholder meeting upon written request to the Board. In light of our strong corporate governance practices and the many stockholder protections already in place, the Board believes that giving stockholders owning 25 percent of the Company's outstanding stock the ability to call special stockholder meetings strikes the appropriate balance between giving stockholders the ability to call special meetings to vote on important matters that arise between Annual Meetings and protecting the resources of the Company and interests of all stockholders. The Board has an established protocol for stockholders to communicate with our independent Lead Director, the chairs of the Board committees, and other independent directors. In addition, management engages in regular, ongoing outreach to listen to and solicit input from our stockholders. Lowering the threshold to 15 percent could force the Company to expend a great deal of time and money on a special meeting, as described below, even if up to 85 percent of the Company's stockholders do not want a special meeting.

Given the size of the Company and the number of its stockholders, convening a meeting of stockholders is a significant undertaking that requires a substantial commitment of time and financial resources. The Company must pay to prepare, print, and distribute legal disclosure documents to stockholders, solicit proxies, and tabulate votes. The Board and management must also divert time from the business to prepare for and conduct the meeting. Because of these burdens and costs to a company, special stockholder meetings should be extraordinary events that occur only when a substantial percentage of the stockholders agree there are extremely pressing matters that must be addressed before the next Annual Meeting. The current provision of the Bylaws allows for stockholders to call a special meeting when such an extraordinary event arises, without enabling a small minority of stockholders to call meetings more frequently than necessary. We believe that if less than 25 percent of the stockholders want a special meeting, this demonstrates that the need for a special meeting is not so great as to warrant disrupting the conduct of 3M's business and imposing unnecessary costs on the Company and its stockholders. Therefore, we believe it is unnecessary and would be damaging to the Company and its stockholders to lower the current threshold and give holders of only 15 percent of our outstanding stock the ability to call an unlimited number of special meetings for any purpose at any time.

Special meetings could also be misused by special interest stockholder groups. The proposal with its low 15 percent ownership requirement could subject the Company to disruption from special interest stockholder groups with an agenda not in the best interests of the Company or the majority of stockholders. Currently, special meetings of stockholders may be called by (i) a majority of the Board of Directors or the Chairman of the Board, or (ii) the holders of 25 percent of 3M's outstanding stock upon written request to the Board. Each director has a fiduciary duty to represent all stockholders when determining whether a matter is so pressing that it must be addressed at a special meeting. By way of contrast, stockholders do not have any fiduciary obligations to the Company or other stockholders. Stockholders can be self-interested in ways that directors, bound by the duties of care and loyalty, cannot be. The proposal would permit a small group of stockholders who have a special interest to use the extraordinary measure of a special meeting to serve their narrow self-interest. For example, would-be acquirers who seek to take over the Company for an inadequate price could use special meetings to avoid negotiating with the

Board, which has the responsibility to protect the interests of all stockholders. In fact, if this proposal were implemented, a small group of stockholders would have the ability to call a special meeting at their sole discretion, at any time, with no duty to act other than in their own interests.

RECOMMENDATION OF THE BOARD

The Board of Directors unanimously recommends a vote “AGAINST” this proposal. Proxies solicited by the Board of Directors will be voted “AGAINST” this proposal unless a stockholder indicates otherwise in voting the proxy.

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Proposal No. 5: Stockholder Proposal on Setting Target Amounts for CEO Compensation

3M has received a stockholder proposal from the United Steelworkers, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, 60 Boulevard of the Allies, Pittsburgh, PA 15222, the owner of 68 shares of 3M common stock (the “Proponent”). The Proponent has requested that the Company include the following proposal and supporting statement (*in italics*) in its proxy statement for the Annual Meeting of Stockholders. The proposal may be voted on at the Annual Meeting only if properly presented by the Proponent or the Proponent’s qualified representative. For the reasons set forth following the Proponent’s statement, your Board of Directors recommends that you vote “AGAINST” this proposal.

RESOLVED: Shareholders of 3M Corporation (the “Company”) request that the Compensation Committee of the Board of Directors take into consideration the pay grades and/or salary ranges of all classifications of Company employees when setting target amounts for CEO compensation. The Compensation Committee should describe in the Company’s proxy statements for annual shareholder meetings how it complies with this requested policy. Compliance with this policy is excused if it will result in the violation of any existing contractual obligation or the terms of any existing compensation plan.

SUPPORTING STATEMENT

Like at many companies, our Company’s Compensation Committee uses peer group benchmarks of what other companies pay their CEOs to set its target CEO compensation. These target pay amounts are then subject to performance adjustments. To ensure that our Company’s CEO compensation is reasonable relative to our Company’s overall employee pay philosophy and structure, we believe that the Compensation Committee should also consider the pay grades and/or salary ranges of Company employees when setting CEO compensation target amounts.

This proposal does not require the Compensation Committee to use other employee pay data in a specific way to set CEO compensation targets. Under this proposal, the Compensation Committee will have discretion to determine how other employee pay should impact CEO compensation targets. The Compensation Committee also will retain authority to use peer group benchmarks and/or any other metric to set CEO compensation target amounts.

*Over time, using peer group benchmarks to set CEO compensation can lead to pay inflation. Although many companies target CEO compensation at the median of their peer group, certain companies have targeted their CEO’s pay above median. In addition, peer groups can be cherry-picked to include larger or more successful companies where CEO compensation is higher. (Charles Elson and Craig Ferrere, “Executive Superstars, Peer Groups and Overcompensation,” *Journal of Corporation Law*, Spring 2013).*

High pay disparities between CEOs and other senior executives may undermine collaboration and teamwork. According to Institutional Shareholder Services, an excessive pay disparity between the CEO and the next highest-paid named executive officer is a problematic pay practice that may result in a recommendation to its clients that they vote against advisory votes on executive compensation. (Institutional Shareholder Services, United States Proxy Voting Manual, February 23, 2016, p. 147).

In our view, the pay of non-executive employees should also be considered. High CEO compensation can impact the morale and productivity of employees who are not senior executives. According to a Glassdoor study of employee opinions, “Higher CEO compensation is statistically linked to lower CEO approval ratings on average” (Glassdoor, What Makes a Great CEO?, August 2016, available at <https://www.glassdoor.com/research/studies/what-makes-a-great-ceo/>).

For those reasons, we urge you to vote in favor of this proposal.

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Board's Statement Opposing the Proposal

After careful consideration, and for the reasons set forth below, the Board believes that it is not in the best interests of 3M or its stockholders to approve the proposed resolution, for the following reasons:

1. The Company already maintains global compensation principles that are intended to ensure that its compensation practices are fair and reasonable as applied to both executive and non-executive employees. These principles align with the Company's vision and strategies, balance both individual and enterprise-wide performance and seek to provide competitive wages and benefits with consistent positioning in the median range of the most-relevant markets to all employees based on roles, responsibilities, skills and performance. To monitor and ensure the effectiveness of this program, the Company also regularly compares its pay components to those of other premier companies, and adjusts them as necessary to stay competitive and attract, retain and motivate a highly qualified, diverse workforce at all levels throughout the organization, not just for its executives.

2. The Board of Directors believes that the overwhelming majority of our stockholders support the Company's current executive compensation program. As described in more detail in the Compensation Discussion and Analysis portion of this Proxy Statement, the current program emphasizes a strong pay-for-performance philosophy and seeks to align the compensation of the Company's Chief Executive Officer and other executive officers with the interests of long-term 3M stockholders. In 2017, approximately 96 percent of the votes cast on the Company's say-on-pay proposal approved the compensation of the named executive officers as disclosed in last year's Proxy Statement.

3. The actions requested by the proposal are ambiguous and implementation would impose a significant time, cost and resource burden on the Company. As the Proponent acknowledges, the proposal "does not require the Compensation Committee to use other employee pay data in a specific way to set CEO compensation targets." The proposal instead indicates only that the Compensation Committee should "take into consideration the pay grades and/or salary ranges of all classifications of Company employees when setting target amounts for CEO compensation." Left unanswered are questions about how to put such information in context so that it is not misleading. For example, it is unclear whether or how adjustments should be made for part-time, temporary and seasonal employees, differences in currencies, differences in cost-of-living or variations in compensation structures for employees who receive sales incentives, overtime compensation or other significant benefits (e.g., health benefits, retirement benefits, housing allowances) in lieu of base salary. 3M has operations and different compensation programs in more than 70 countries around the world. Compliance with the proposal would require substantial coordination with local employees in foreign countries to collect and transmit the necessary data on "all classifications" of the Company's more than 90,000 employees worldwide, all of which would need to be carefully analyzed and summarized. The Company believes that the time, cost and resource burden associated with implementing the proposal is not warranted by any benefit that the resulting information may be able to offer.

RECOMMENDATION OF THE BOARD

The Board of Directors unanimously recommends a vote "AGAINST" this proposal. Proxies solicited by the Board of Directors will be voted "AGAINST" this proposal unless a stockholder indicates otherwise in voting the proxy.

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INFORMATION****Security Ownership of Management**

The following table includes all 3M stock based holdings, as of February 28, 2018, of the directors and the Named Executive Officers set forth in the Summary Compensation Table, and the directors and executive officers as a group.

Common Stock and Total Stock-Based Holdings

| NAME AND PRINCIPAL POSITION | STOCK(1) | RESTRICTED STOCK UNITS(2) | DEFERRED STOCK(3) | TOTAL(4) | PERCENT OF CLASS |
|--|-----------|---------------------------------|----------------------|-----------|------------------------|
| Sondra L. Barbour, Director | — | — | 3,345 | 3,345 | (5) |
| Thomas “Tony” K. Brown, Director | — | — | 4,659 | 4,659 | (5) |
| Vance D. Coffman, Director | 6,591 | — | 41,611 | 48,202 | (5) |
| David B. Dillon, Director | — | — | 2,303 | 2,303 | (5) |
| Michael L. Eskew, Director | — | — | 36,813 | 36,813 | (5) |
| Herbert L. Henkel, Director | — | — | 31,841 | 31,841 | (5) |
| Amy E. Hood, Director | 24 | — | 308 | 332 | (5) |
| Muhtar Kent, Director | — | — | 9,580 | 9,580 | (5) |
| Edward M. Liddy, Director | — | — | 52,636 | 52,636 | (5) |
| Gregory R. Page, Director | 1,000 | — | 2,537 | 3,537 | (5) |
| Patricia A. Woertz, Director | 1,738 | — | — | 1,738 | (5) |
| Inge G. Thulin, Director, Chairman of the Board, President and Chief Executive Officer | 1,243,705 | — | 173,001 | 1,416,706 | (5) |
| Nicholas C. Gangestad, Senior Vice President and Chief Financial Officer | 173,457 | 6,221 | 14,005 | 193,683 | (5) |
| Frank R. Little Executive Vice President | 148,432 | 8,710 | — | 157,142 | (5) |
| Michael F. Roman, Chief Operating Officer and Executive Vice President | 167,443 | 12,646 | 12,421 | 192,510 | (5) |
| Hak Cheol Shin, Vice Chair and Executive Vice President | 378,591 | 12,646 | — | 391,237 | (5) |
| | 3,779,838 | 78,393 | 430,035 | 4,288,266 | (5) |

All Directors and Executive Officers as a Group
(28 persons)

FOOTNOTES TO COMMON STOCK AND TOTAL STOCK-BASED HOLDINGS TABLE

(1) This column lists beneficial ownership of 3M common stock as calculated under Securities and Exchange Commission rules. Unless otherwise noted, voting power and investment power in the shares are exercisable solely by the named person, and none of the shares are pledged as security by the named person. In accordance with Securities and Exchange Commission rules, this column also includes shares that may be acquired pursuant to stock options that are or will be exercisable within 60 days of February 28, 2018, as follows: Mr. Thulin 1,187,531, Mr. Gangestad 161,091, Mr. Little 140,865, Mr. Roman 159,540, and Mr. Shin 312,491.

(2) This column reflects restricted stock units that generally vest over a three- to five-year period, assuming continued employment until each vesting date (or until the individual retires from the Company, in some cases). The executive officers do not have voting power with respect to the shares listed in this column.

(3) This column reflects shares earned by the directors as a result of their service on the Board of Directors, the payout of which has been deferred until following the termination of their membership on the Board of Directors. This column also includes shares of the Company's common stock which the executive officers are entitled to receive following their retirement from the Company as a result of their election to defer the payout of their performance share awards granted under the Company's long-term incentive plan. Neither the directors nor the executive officers have voting power with respect to the shares listed in this column.

(4) This column shows the individual's total 3M stock-based holdings, including the securities shown in the "Stock" column (as described in note 1), in the "Restricted Stock Units" column (as described in note 2), and in the "Deferred Stock" column (as described in note 3).

(5) Each director and executive officer individually, and All Directors and Executive Officers as a Group, beneficially owned less than one percent of the outstanding common stock of the Company.

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The following table sets forth information regarding beneficial owners of more than 5 percent of the outstanding shares of 3M common stock.

| NAME/ADDRESS | COMMON STOCK BENEFICIALLY OWNED | PERCENT OF CLASS |
|--|---------------------------------------|---------------------|
| The Vanguard Group(1) 100 Vanguard Blvd. Malvern, PA 19355 | 48,885,164 | 8.20 |
| State Street Corporation(2) State Street Financial Center One Lincoln Street Boston, MA 02111 | 45,135,766 | 7.58 |
| BlackRock, Inc.(3) 55 East 52nd Street New York, NY 10055 | 38,828,584 | 6.50 |

(1) In a Schedule 13G/A filed with the Securities and Exchange Commission on February 13, 2018, The Vanguard Group reported that, as of December 31, 2017, it had sole voting power with respect to 849,465 shares, shared voting power with respect to 136,832 shares, sole dispositive power with respect to 47,920,113 shares, and shared dispositive power with respect to 965,051 shares. It also reported that Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 663,642 shares or .11 percent of 3M common stock outstanding as a result of its serving as investment manager of collective trust accounts. It further reported that Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 483,141 shares or .08 percent of 3M common stock outstanding as a result of its serving as investment manager of Australian investment offerings. Vanguard provides investment management services to the Company's defined contribution plans in the U.S. through co-mingled mutual fund vehicles. The 3M Voluntary Investment Plan and Employee Stock Ownership Plan and the 3M Savings Plan use these investments in their defined contribution investment choices. Fees paid for investment management of these funds are incorporated into the fund NAV on a daily basis and fully disclosed as an expense ratio for the funds. As a result, these fees are paid by participants in the Company's defined contribution plans and are not paid by the Company. The total amount of the fees will fluctuate based on the plan participant allocation decisions. The fees paid are reviewed by the fiduciaries of the retirement plans and are determined to be reasonable for the services provided.

(2) In a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2018, State Street Corporation reported that, as of December 31, 2017, it had shared voting power with respect to 45,135,766 shares of 3M common stock and shared dispositive power with respect to 45,135,766 shares of 3M common stock. Of these shares, 13,562,056 shares were held as trustee or investment manager for certain 3M savings plans, including the Company's Voluntary Investment Plan and Employee Stock Ownership Plan and the 3M Savings Plan, which are 401(k) retirement savings plans. State Street Bank and Trust Company provides custody, investment management, and corporate finance services to the Company and a number of employee benefit plans sponsored by the Company and its

affiliates. The 3M Voluntary Investment Plan and Employee Stock Ownership Plan, the 3M Savings Plan and 3M Retiree Welfare Benefit Plan utilize State Street Global Advisors, an affiliate of State Street Bank and Trust Company, as an investment manager. State Street Bank and Trust Company also provides custody services for the Company's defined contribution plans in the U.S. Further, State Street Bank and Trust Company is a participant of 3M Company's \$3.75 billion revolving credit agreement dated March 9, 2016. In total, the Company and the various employee benefit plans paid fees of \$2.1 million to State Street Bank and Trust Company and its affiliates in 2017. In addition, the Trustee will charge the funds an annual administration fee and transaction fees which are incorporated into the funds' NAV. The fees paid are reviewed by the Company (with respect to the credit agreement) and the fiduciaries of the employee benefit plans and are determined to be reasonable for the services provided.

(3) In a Schedule 13G/A filed with the Securities and Exchange Commission on February 8, 2018, BlackRock, Inc. reported that, as of December 31, 2017, it had sole voting power with respect to 33,477,521 shares and sole dispositive power with respect to 38,828,584 shares, of which 30,570 shares were held as investment manager for the 3M Voluntary Investment Plan and Employee Stock Ownership Plan and the 3M Savings Plan. BlackRock, Inc. and its affiliates provide investment management services to several employee benefit plans sponsored by the Company and its Canadian affiliate. The 3M Voluntary Investment Plan and Employee Stock Ownership Plan, the 3M Savings Plan and the 3M Canada Company Master Trust utilize these investment management services. In total, the various employee benefit plans paid fees of \$2.1 million in 2017 to BlackRock, Inc. and its affiliates, a majority of which was paid by the participants in the 3M Voluntary Investment Plan and Employee Stock Ownership Plan. In addition, the Trustee will charge the funds held by the 3M Voluntary Investment Plan and Employee Stock Ownership Plan and the 3M Savings Plan an annual administration fee which is incorporated into the funds' NAV. The fees paid are reviewed by the fiduciaries of the employee benefit plans and are determined to be reasonable for the services provided.