

INCYTE CORP
Form DEF 14A
March 14, 2018

Table of Contents

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- 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

INCYTE CORPORATION

(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)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5)

Edgar Filing: INCYTE CORP - Form DEF 14A

Total fee paid:

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

Table of Contents

Table of Contents

Incyte Corporation
1801 Augustine Cut-Off
Wilmington, Delaware 19803

Notice of Annual Meeting of Stockholders Tuesday, May 1, 2018

2:00 p.m. Eastern Daylight Time

1815 Augustine Cut-Off, Wilmington, Delaware 19803

To the Stockholders of Incyte Corporation:

The Annual Meeting of Stockholders of Incyte Corporation, a Delaware corporation (the "Company"), will be held at the Company's offices located at 1815 Augustine Cut-Off, Wilmington, Delaware 19803, on Tuesday, May 1, 2018, at 2:00 p.m. Eastern Daylight Time, for the following purposes:

Purposes:

1. To elect eight directors to serve until the 2019 Annual Meeting of Stockholders and thereafter until their successors are duly elected and qualified;
2. To approve, on a non-binding, advisory basis, the compensation of the Company's named executive officers;
3. To approve amendments to the Company's Amended and Restated 2010 Stock Incentive Plan;
4. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2018; and
5. To transact such other business as may properly come before the Annual Meeting of Stockholders and any postponement or adjournment of the Annual Meeting.

Record Date: March 5, 2018 Stockholders of record as of the close of business on March 5, 2018 are entitled to notice of and to vote at the Annual Meeting and any postponement or adjournment thereof.

It is important that your shares be represented at this meeting. Even if you plan to attend the meeting, we hope that you will vote as soon as possible. Voting now will ensure your representation at the Annual Meeting regardless of whether you attend in person. You may vote over the internet, by telephone or by mailing the enclosed proxy card or voting instruction form. Please review the instructions on page 3 of the attached Proxy Statement and your proxy card or voting instruction form regarding each of these voting options.

By Order of the Board of Directors

Michael J. Purvis

Assistant Secretary

March 14, 2018

Table of Contents

Table of Contents

<u>1</u>	<u>Proxy Statement Summary</u>
<u>2</u>	<u>Frequently Asked Questions</u>
<u>6</u>	<u>Stockholder Engagement</u>
<u>7</u>	<u>Proposal 1 Election of Directors</u>
<u>13</u>	<u>Board Committees</u>
<u>15</u>	<u>Corporate Governance</u>
<u>21</u>	<u>Compensation of Directors</u>
<u>23</u>	<u>Executive Compensation</u>
<u>23</u>	<u>Compensation Discussion and Analysis</u>
<u>41</u>	<u>Compensation Committee Report</u>
<u>42</u>	<u>Executive Compensation Tables</u>
<u>53</u>	<u>Equity Compensation Plan Information</u>
<u>54</u>	<u>Report of the Audit Committee of the Board</u>
<u>55</u>	<u>Proposal 2 Advisory Vote to Approve Executive Compensation</u>
<u>56</u>	<u>Proposal 3 Proposal to Amend the Amended and Restated 2010 Stock Incentive Plan</u>
<u>66</u>	<u>Proposal 4 Ratification of Independent Registered Public Accounting Firm</u>
<u>68</u>	<u>Security Ownership of Certain Beneficial Owners and Management</u>
<u>70</u>	<u>Other Matters</u>
<u>A-1</u>	<u>Appendix A: Note Regarding Forward-Looking Statements</u>

Table of Contents

Proxy Statement Summary

Meeting Information

Time and Date: 2:00 p.m. EDT, May 1, 2018

Place: 1815 Augustine Cut-Off
Wilmington, DE 19803

Record Date: March 5, 2018

Admission: Please follow the instructions
contained in this Proxy
Statement

Mail Date: This Proxy Statement and the
accompanying form of proxy are being
mailed to stockholders on or about
March 20, 2018

Voting Matters

PROPOSAL

BOARD'S VOTING RECOMMENDATION

- 1** Election of Directors
- 2** Advisory Vote to Approve Executive Compensation
- 3** Amend the Amended and Restated 2010 Stock Incentive Plan
- 4** Ratification of Independent Registered Public Accounting Firm

Table of Contents

Proxy Statement Summary

Frequently Asked Questions

Will there be any other items of business on the agenda?

We do not expect any other items of business because the deadline for stockholder proposals and nominations has already passed. Nonetheless, in case there is an unforeseen need, the accompanying proxy gives discretionary authority to the persons named on the proxy with respect to any other matters that might be brought before the meeting. Those persons intend to vote that proxy in accordance with their best judgment.

Who is entitled to vote?

Stockholders of record at the close of business on March 5, 2018, the Record Date, may vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of our common stock held by such stockholder as of the Record Date.

How many shares must be present to hold the Annual Meeting?

The presence, in person or by proxy, of the holders of a majority of our outstanding common stock on the Record Date constitutes a quorum, which is required to hold and conduct business at the Annual Meeting. As of the close of business on the Record Date, there were 211,798,739 shares of our common stock outstanding. If you are a record holder and you submit your proxy, regardless of whether you abstain from voting on one or more matters, your shares will be counted as present at the Annual Meeting for purposes of determining a quorum. If your shares are held in street name, your shares are counted as present for purposes of determining a quorum if your broker, bank or other nominee submits a proxy covering your shares. Your broker, bank or other nominee is entitled to submit a proxy covering your shares as to certain "routine" matters, even if you have not instructed your broker, bank or other nominee on how to vote on those matters. Please see "How are votes counted?" below. If a quorum is not present, we expect that the Annual Meeting will be adjourned until we obtain a quorum.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Stockholder of Record. If your shares are registered directly in your name with our transfer agent, Computershare, you are considered, with respect to those shares, the "stockholder of record." This Proxy Statement, our Annual Report and the proxy card have been sent directly to you by Incyte.

Beneficial Owner. If your shares are held in a stock brokerage account or by a broker, bank or other nominee, you are considered the "beneficial owner" of shares held in street name. This Proxy Statement and our Annual Report have been forwarded to you by your broker, bank or other nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote your shares by using the voting instruction form provided by your broker, bank or other nominee.

Table of Contents

Proxy Statement Summary

How do I vote?

You may vote using any of the following methods:

By Mail	By Telephone	By Internet	In Person at the Annual Meeting
<p>Mail Follow the instructions in your proxy materials.</p>	<p>Telephone Stockholders of record may call toll-free 1-800-652 VOTE (8683)</p>	<p>By Internet Stockholders of record may vote online at www.envisionreports.com/INCY</p>	<p>In Person at the Annual Meeting You may obtain directions to the Annual Meeting by contacting our Company's Investor Relations Department at (302) 498-6700.</p>
	<p>Most stockholders who hold shares beneficially in street name may provide voting instructions to their brokers, banks or other nominees by telephone by calling the number specified on the voting instruction form provided by their brokers, banks or other nominees. The telephone voting facilities will close at 11:59pm, Eastern Daylight Time, the day before the meeting date.</p>	<p>Most stockholders who hold shares beneficially in street name may provide voting instructions to their brokers, banks or other nominees by accessing the website specified on the voting instruction form provided by their brokers, banks or other nominees. The internet voting facilities will close at 11:59pm, Eastern Daylight Time, the day before the meeting date.</p>	<p><i>Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or voting instructions or vote by telephone or the internet so that your vote will be counted if you later decide not to attend the meeting</i></p>

Can I change my vote or revoke my proxy?

You may change your vote or revoke your proxy at any time prior to the vote at the Annual Meeting. If you submitted your proxy by mail, you must file with the Secretary of our Company a written notice of revocation or deliver, prior to the vote at the Annual Meeting, a valid, later dated proxy. If you submitted your proxy by telephone or the internet, you may change your vote or revoke your proxy with a later telephone or internet proxy, as the case may be. Attendance at the Annual Meeting will not have the effect of revoking a proxy unless you give written notice of revocation to the Secretary before the proxy is exercised or you vote by written ballot at the Annual Meeting. For shares you hold beneficially in street name, you may change your vote or revoke your proxy by submitting new voting instructions to or informing your broker, bank or other nominee in accordance that entity's procedures for changing or revoking your voting instructions.

How are votes counted?

In the election of directors, you may vote "FOR," "AGAINST" or "ABSTAIN" for each nominee. For each of Proposals 2, 3 and 4, you may vote "FOR," "AGAINST" or "ABSTAIN."

Edgar Filing: INCYTE CORP - Form DEF 14A

If you provide specific instructions, your shares will be voted as you instruct. If you sign your proxy card or voting instruction form with no further instructions, your shares will be voted in accordance with the recommendations of the Board ("FOR" all of the nominees to the Board of Directors, "FOR" the approval of the compensation of our named executive officers, "FOR" the approval of the amendments to our Amended and Restated 2010 Stock Incentive Plan and "FOR" the ratification of the independent registered public accounting firm and in the discretion of the proxy holders on any other matters that may properly come before the meeting).

If you hold shares beneficially in street name and do not provide your broker, bank or other nominee with voting instructions, your shares may constitute "broker non-votes." Generally, broker

Table of Contents

Proxy Statement Summary

non-votes occur on a matter when a broker, bank or other nominee is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. If you hold shares beneficially in street name and do not vote your shares, your broker, bank or other nominee can vote your shares at its discretion only on Proposal 4, the ratification of the independent registered public accounting firm. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the Annual Meeting, other than Proposal 4, assuming that a quorum is obtained.

What vote is required to approve each item?

We have a majority voting standard for the election of directors in an uncontested election, which is generally defined as an election in which the number of nominees does not exceed the number of directors to be elected at the meeting. Cumulative voting is not permitted, which means that each stockholder may vote no more than the number of shares he or she owns for a single director candidate. Under our majority voting standard, in uncontested elections of directors, such as this election, each director must be elected by the affirmative vote of a majority of the votes cast by the shares present in person or represented by proxy. A "majority of the votes cast" means that the number of votes cast "FOR" a director nominee exceeds the number of votes cast "AGAINST" the nominee. If a director nominee is an incumbent director and does not receive a majority of the votes cast in an uncontested election, that director will continue to serve on the Board as a "holdover" director, but will be subject to our director resignation policy. Additional information concerning our director resignation policy is set forth under the heading "Corporate Governance Majority Voting Policy."

The table below describes the proposals to be considered at the Annual Meeting and the vote required for each proposal:

1	Election of Directors	A nominee for director will be elected if the votes cast "FOR" such nominee exceed the votes cast "AGAINST" such nominee.	No effect Not considered votes cast on this proposal	No Brokers without voting instructions will not be able to vote on this proposal
2	Advisory Vote to Approve Executive Compensation	Non-binding, advisory proposal. We will consider the matter approved if it receives the affirmative vote of a majority of the shares of common stock present at the Annual Meeting in person or by proxy and entitled to vote.	Counted as vote Same effect as votes against	No Brokers without voting instructions will not be able to vote on this proposal
3	Approval of Amendments to the Amended and Restated 2010 Stock Incentive Plan	The affirmative "FOR" vote of a majority of the shares present at the Annual Meeting in person or by proxy and entitled to vote.	Counted as vote Same effect as votes against	No Brokers without voting instructions will not be able to vote on this proposal

4	Ratification of the Appointment of Ernst & Young LLP	The affirmative "FOR" vote of a majority of the shares present at the Annual Meeting in person or by proxy and entitled to vote.	Counted as vote Same effect as votes against	Yes Brokers without voting instructions will have discretionary authority to vote
----------	------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------	------------------------------------------------------------------------------------------

(1) As noted above, abstentions will be counted as present for purposes of establishing a quorum at the Annual Meeting.

(2) Only relevant if you are the beneficial owner of shares held in street name. If you are a stockholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the Annual Meeting.

Table of Contents

Proxy Statement Summary

If any other matter is properly brought before the Annual Meeting, such matter also will be determined by the affirmative vote of a majority of the shares of common stock present at the Annual Meeting in person or by proxy and entitled to vote at the Annual Meeting.

What is "householding" and how does it affect me?

We have adopted a process for mailing our Annual Report and this Proxy Statement called "householding," which has been approved by the Securities and Exchange Commission. Householding means that stockholders who share the same last name and address will receive only one copy of our Annual Report and this Proxy Statement, unless we receive contrary instructions from any stockholder at that address. We will continue to mail a proxy card to each stockholder of record.

If you prefer to receive multiple copies of our Annual Report and this Proxy Statement at the same address, additional copies will be provided to you upon request. If you are a stockholder of record, you may contact us by writing to Investor Relations Department, Incyte Corporation, 1801 Augustine Cut-Off, Wilmington, Delaware 19803 or by calling (302) 498-6700 and asking for Investor Relations. Eligible stockholders of record receiving multiple copies of our Annual Report and this Proxy Statement can request householding by contacting us in the same manner. We have undertaken householding to reduce printing costs and postage fees, and we encourage you to participate.

If you are a beneficial owner, you may request additional copies of our Annual Report and this Proxy Statement or you may request householding by notifying your broker, bank or other nominee.

How are proxies solicited?

Our employees, officers and directors may solicit proxies. We will pay the cost of printing and mailing proxy materials, and will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation material to the owners of our common stock. In addition, we have engaged D.F. King & Co., Inc. to assist us in soliciting proxies for a fee of \$12,500, plus out-of-pocket expenses.

Table of Contents

Stockholder Engagement

Throughout the year, we maintain an ongoing stockholder outreach program to garner feedback as well as to answer any questions stockholders may have both during and outside of proxy season.

In the spring of 2017, we were added to the S&P 500 Index. With this inclusion came a new peer group and new responsibilities. As such, we launched an initiative to determine how our governance could improve so that we are more in-line with our peers. As a part of that initiative, we proactively reached out to and collected governance-focused feedback from our top stockholders. We contacted stockholders representing over 60% of our shares outstanding, and through these thorough and informative conversations, we have implemented some significant enhancements in our governance policies. We believe these changes will help us to further align the company's interests with the best interests of our stockholders.

Not enough performance-based compensation for executive officers

Commencing with the July 2018 equity awards, executive officers will no longer receive 25% of their target equity compensation as restricted stock units; instead, 25% of target equity award value will be in the form of performance shares pegged to pre-specified performance goals

"Plurality-plus" voting for directors in uncontested elections

Amended our Bylaws to require majority voting for directors in uncontested elections

No clawback policy for executives

Adopted a 3 year cash clawback for executives

No minimum vesting period for employee equity awards

Implemented a minimum vesting period of 12 months generally for employees

Further diversification of expertise on Board

Added Jacquelyn Fouse to the Board, who brings diverse and valuable corporate governance, management, operational and strategic expertise

Insufficient rationale on why CEO also serves as the chairman of the Board

Included more detail why the Board believes it is in the best interests of stockholders that Mr. Hoppenot serve as both CEO and chairman as well as enhanced detail on the function of our Lead Independent Director

Limited detail on corporate goals

Provided a more detailed retrospective analysis of our 2017 corporate goals

We continually seek to engage with stockholders throughout the year, and we invite you to reach out with any comments or questions at any time. Please see the Investor section of our website for the appropriate contact information.

Table of Contents

Proposal 1

Election of Directors

The Board proposes the election of eight directors of our Company to serve until the next annual meeting of stockholders, or thereafter until their successors are duly elected and qualified. If any nominee is unable or declines to serve as director at the time of the Annual Meeting, an event that we do not currently anticipate, proxies will be voted for any nominee designated by the Board to fill the vacancy.

Hervé Hoppenot Chairman of the Board President and Chief Executive Officer Incyte Corporation	2014	58				•
Julian C. Baker Lead Independent Director Managing Partner Baker Brothers Investments	2001	51	•	•		•
Jean-Jacques Bienaimé Chief Executive Officer BioMarin Pharmaceutical Inc.	2015	64	•	•		
Paul A. Brooke Former Founder and Managing Partner venBio, LLC	2001	72	•			•
Paul J. Clancy Executive Vice President and Chief Financial Officer Alexion Pharmaceuticals, Inc.	2015	56	•			

<p>Wendy L. Dixon, Ph.D. Former Chief Marketing Officer and President, Global Marketing Bristol-Meyers Squibb Company</p>	<p>2010 62</p>	<p>•</p>	<p>•</p>	<p>•</p>
<p>Jacquelyn A. Fouse, Ph.D. Executive Chair Dermavant Sciences</p>	<p>2017 56</p>	<p>•</p>		
<p>Paul A. Friedman, M.D. Chief Executive Officer Madrigal Pharmaceuticals, Inc.</p>	<p>2001 75</p>	<p>•</p>		
<p>Committee Chair</p>	<p>Financial Expert</p>	<p>•</p>	<p>Member</p>	

Table of Contents

Proposal 1 Election of Directors

Director Nominees

Names of the nominees and certain biographical information about them are set forth below:

Age 58	BACKGROUND
Director since 2014	<hr/> Mr. Hoppenot joined Incyte as President and Chief Executive Officer and a Director in January 2014, and was appointed Chairman of the Board in May 2015. Mr. Hoppenot served as the President of Novartis Oncology, Novartis Pharmaceuticals Corporation, the U.S. subsidiary of Novartis AG, a pharmaceutical company, from January 2010 to January 2014. Prior to that, Mr. Hoppenot served in other executive positions at Novartis Pharmaceuticals Corporation, serving from September 2006 to January 2010 as Executive Vice President, Chief Commercial Officer of Novartis Oncology and Head of Global Product Strategy & Scientific Development of Novartis Pharmaceuticals Corporation and from 2003 to September 2006 as Senior Vice President, Head of Global Marketing of Novartis Oncology. Prior to joining Novartis, Mr. Hoppenot served in various increasingly senior roles at Aventis S.A. (formerly Rhône Poulenc S.A.), a pharmaceutical company, including as Vice President Oncology US of Aventis Pharmaceuticals, Inc. from 2000 to 2003 and Vice President US Oncology Operations of Rhone Poulenc Rorer Pharmaceuticals, Inc. from 1998 to 2000.
Chairman of the Board	
Committees	
Finance	

QUALIFICATIONS

The Board has concluded that Hervé Hoppenot should serve on the Board because he has significant leadership and senior management experience from his various executive positions in the healthcare industry, including as the President of Novartis Oncology, Novartis Pharmaceuticals Corporation. His past experiences and his current role as our CEO give him strong knowledge of our strategy, markets, competitors, financials and operations.

OTHER PUBLIC COMPANY BOARDS

Current	Past 5 Years
Collectis S.A.	None

Age 51	BACKGROUND
Director since 2001	<hr/> Mr. Baker is a Managing Partner of Baker Brothers Investments, which he and his brother, Felix Baker, Ph.D., founded in 2000. Baker Brothers Investments is an investment advisor focused on long term investments in life sciences companies. Mr. Baker's career as a fund manager began in 1994 when he co-founded a biotechnology investing partnership with the Tisch
Lead Independent Director	

Committees

family. Previously, Mr. Baker was employed from 1988 to 1993 by the private equity investment arm of Credit Suisse First Boston Corporation.

QUALIFICATIONS

Compensation

The Board has concluded that Julian C. Baker should serve on the Board because he is an experienced investor in many life sciences companies. He brings to the Board significant strategic and financial expertise and extensive knowledge of the life sciences and biopharmaceuticals industries as a result of his investments in and service as a director of other publicly and privately held life sciences companies.

Finance

Nominating &
Corporate
Governance (Chair)

OTHER PUBLIC COMPANY BOARDS

Current	Past 5 Years
Acadia Pharmaceuticals, Inc.	None
Genomic Health, Inc.	
Idera Pharmaceuticals, Inc.	

Table of Contents

Proposal 1 Election of Directors

Age 64	BACKGROUND
Director since 2015	<p>Mr. Bienaimé has served as Chief Executive Officer and a member of the board of directors of BioMarin Pharmaceutical Inc., a biopharmaceutical company, since May 2005. Mr. Bienaimé has also served as Chairman of BioMarin since June 2015. From November 2002 to April 2005, Mr. Bienaimé served as Chairman, Chief Executive Officer and President of Genencor, a biotechnology company focused on industrial bioproducts and targeted cancer biotherapeutics. Prior to joining Genencor, Mr. Bienaimé was Chairman, President and Chief Executive Officer of SangStat Medical Corporation, an immunology focused biotechnology company that was later acquired by Genzyme Corporation. He became President of SangStat in 1998 and Chief Executive Officer in 1999. Prior to joining SangStat, Mr. Bienaimé held various management positions from 1992 to 1998 with Rhône Poulenc Rorer Pharmaceuticals (now known as Sanofi Aventis), including Senior Vice President of Corporate Marketing and Business Development, and Vice President and General Manager of the advanced therapeutic and oncology division. Mr. Bienaimé is a director of the Biotechnology Innovation Organization and the Pharmaceutical Research and Manufacturers of America® (PhRMA).</p>
Independent Director	
Committees	
Compensation	

QUALIFICATIONS

The Board has concluded that Jean-Jacques Bienaimé should serve on the Board because he has significant leadership experience in the management of biotechnology organizations, business development, and sales and marketing of both biotechnology and pharmaceutical products. He also brings significant experience as a director of other publicly held life sciences companies.

OTHER PUBLIC COMPANY BOARDS

Current	Past 5 Years
BioMarin Pharmaceutical Inc. Vital Therapies, Inc.	InterMune, Inc. (2012-2014) Portola Pharmaceuticals, Inc. (2010-2014)

Age 72	BACKGROUND
Director since 2001	<p>Mr. Brooke was a founder and managing partner of venBio, LLC, a pharmaceutical investment company, from which he retired at the end of 2016. Mr. Brooke was Chairman of the Board of Directors of Alsius</p>

Independent
Director

Committees

Audit

Compensation
(Chair)

Corporation, a medical device company, from June 2007 through its sale in May 2009, and was the Chairman and Chief Executive Officer of a predecessor company from April 2005 to June 2007. Mr. Brooke has been the Managing Member of PMSV Holdings, LLC, a private investment firm, since 1993. He also served as a Senior Advisor to Morgan Stanley & Co. Incorporated from April 2000 to December 2009, and was a Venture Partner at MPM Capital, a venture capital firm specializing in the healthcare industry, from 1997 through 2006. From April 1999 through May 2000, Mr. Brooke served as a Managing Director at Tiger Management LLC. He was a Managing Director and the Global Head of Healthcare Research and Strategy at Morgan Stanley & Co. from 1983 to April 1999. Mr. Brooke is also a director of several privately held companies.

QUALIFICATIONS

Finance (Chair)

Nominating &
Corporate
Governance

The Board has concluded that Paul A. Brooke should serve on the Board because he has leadership experience and insight into the operations, challenges and complex issues facing healthcare companies gained from his experience as head of healthcare research at a major investment bank and as an investor. He also has extensive financial and capital markets experience, which is critical to his role as Chair of the Finance Committee, and significant experience as a director of other publicly and privately held life sciences and healthcare companies.

OTHER PUBLIC COMPANY BOARDS

Current	Past 5 Years
Manning & Napier Fund, Inc.	ViroPharma Incorporated (2001-2014)

Table of Contents

Proposal 1 Election of Directors

Age 56 **BACKGROUND**

Director since 2015 Mr. Clancy has more than 30 years of experience in financial management and strategic business planning, and has served as the Executive Vice President and Chief Financial Officer of Alexion Pharmaceuticals, Inc., a biopharmaceutical company, since July 2017. Prior to joining Alexion, Mr. Clancy served as Executive Vice President, Finance and Chief Financial Officer of Biogen Inc. (formerly known as Biogen Idec Inc.), a biotechnology company, from August 2007 until June 2017. He also served as Senior Vice President of Finance of Biogen, with responsibilities for leading the treasury, tax, investor relations and business planning groups. Prior to the 2003 merger of Biogen, Inc. and IDEC Pharmaceuticals Corporation to form Biogen, Mr. Clancy was the Vice President of Portfolio Management of Biogen. He joined Biogen in 2001 as Vice President of U.S. Marketing. Before Biogen, Mr. Clancy spent 13 years at PepsiCo Inc., a food and beverage company, serving in a variety of financial and general management positions, including Vice President and General Manager of their Great West Business Unit.

Independent Director

Committees

Audit (Chair)

QUALIFICATIONS

The Board has concluded that Paul J. Clancy should serve on the Board because he has significant financial and executive leadership experience at large multi-national biopharmaceutical companies. Mr. Clancy also has experience as a director of a publicly held biotechnology company, and his breadth and depth of financial experience position him well to serve on the Audit Committee of the Board.

OTHER PUBLIC COMPANY BOARDS

Current	Past 5 Years
Agius Pharmaceuticals, Inc.	None

Age 62 **BACKGROUND**

Director since 2010 Dr. Dixon served as Chief Marketing Officer and President, Global Marketing for Bristol Myers Squibb Company from December 2001 until May 2009 and served on the Chief Executive Officer's Executive Committee. From 1996 to 2001 she was Senior Vice President, Marketing USHH at Merck & Co., Inc., and prior to that she held executive management positions at West Pharmaceuticals, Osteotech, Inc. and Centocor, Inc. and various positions at SmithKline & French Pharmaceuticals in marketing, regulatory affairs, project management and as a biochemist.

Independent Director

Committees

Audit

QUALIFICATIONS

Nominating &
Corporate
Governance

The Board has concluded that Wendy L. Dixon should serve on the Board because she has significant leadership experience in the pharmaceutical and biotechnology industry, including experience in drug development and regulatory affairs. Dr. Dixon has extensive experience in building successful marketing and sales teams and launching multiple pharmaceutical products across a broad range of therapeutic areas. Dr. Dixon also has significant experience serving as a director of other publicly held life sciences companies, including as a member of certain audit committees.

OTHER PUBLIC COMPANY BOARDS

Current	Past 5 Years
Alkermes Public Limited Company	Furiex Pharmaceuticals, Inc. (2010-2014)
bluebird bio, Inc.	Orexigen Therapeutics, Inc. (2010-2016)
Eleven Biotherapeutics, Inc.	
Voyager Therapeutics, Inc.	

Table of Contents

Proposal 1 Election of Directors

Age 56 Director since 2017 Independent Director Committees None	<p>BACKGROUND</p> <hr/> <p>Dr. Fouse has served as Executive Chair of Dermavant Sciences, a biopharmaceutical company, since July 2017. From September 2010 until June 2017, Dr. Fouse served in various capacities at Celgene Corporation, a biopharmaceutical company, serving as Strategic Advisor to the Management Executive Committee from April 2017 to June 2017, President and Chief Operating Officer from March 2016 to March 2017, President, Hematology and Oncology from August 2014 to February 2016, Executive Vice President and Chief Financial Officer from February 2012 to July 2014, and Senior Vice President and Chief Financial Officer from September 2010 to February 2012. Prior to joining Celgene, Dr. Fouse served as Chief Financial Officer of Bunge Limited, a global agribusiness and food company, from July 2007 to September 2010. Prior to joining Bunge, Dr. Fouse served as Senior Vice President, Chief Financial Officer and Corporate Strategy at Alcon Laboratories, Inc. since 2006, and as its Senior Vice President and Chief Financial Officer since 2002. Prior to her time with Alcon she held a variety of senior leadership roles with international companies.</p>
-------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

QUALIFICATIONS

The Board has concluded that Jacquelyn A. Fouse should serve on the Board because she has significant corporate finance, financial reporting and accounting expertise as a result of her executive roles at Dermavant Sciences and previously at Celgene, as well as her prior positions with other companies. Additionally, Dr. Fouse is able to provide diverse and valuable corporate governance, management, operational and strategic expertise to the Board through her experience as an executive officer and a public company board member.

OTHER PUBLIC COMPANY BOARDS

Current	Past 5 Years
Agios Pharmaceuticals, Inc. Dick's Sporting Goods, Inc.	Perrigo Company (2012-2016) Celgene Corporation (2016-2017)

Table of Contents

Proposal 1 Election of Directors

Age 75	BACKGROUND
Director since 2001	Dr. Friedman has served as Chief Executive Officer and Chairman of the Board of Directors of Madrigal Pharmaceuticals, Inc. since July 2016.
Independent Director	Dr. Friedman served as our Chief Executive Officer from November 2001 to January 2014 and was our President from May 2004 to January 2014. From 1998 until October 2001, Dr. Friedman served as President of DuPont Pharmaceuticals Research Laboratories, a wholly owned subsidiary of DuPont Pharmaceuticals Company (formerly The DuPont Merck Pharmaceutical Company), from 1994 to 1998 he served as President of Research and Development of The DuPont Merck Pharmaceutical Company, and from 1991 to 1994 he served as Senior Vice President at Merck Research Laboratories. Prior to his work at Merck and DuPont, Dr. Friedman was an Associate Professor of Medicine and Pharmacology at Harvard Medical School. Dr. Friedman is a Diplomate of the American Board of Internal Medicine and a Member of the American Society of Clinical Investigation. Dr. Friedman is a director of two privately held companies.
Committees	
None	

QUALIFICATIONS

The Board has concluded that Paul A. Friedman should serve on the Board because he has extensive expertise in our business and in the drug development and discovery industry. His past experiences, including as our former CEO, give him strong knowledge of our strategy, markets, competitors, financials and operations. He also has experience as a director of publicly held life sciences and healthcare companies.

OTHER PUBLIC COMPANY BOARDS

Current	Past 5 Years
Alexion Pharmaceuticals, Inc.	Auxilium Pharmaceuticals, Inc. (2010-2015)
Madrigal Pharmaceuticals, Inc.	Cerulean Pharma Inc. (2014-2017)
	Durata Therapeutics, Inc. (2013-2014)
	Verastem, Inc. (2014-2017)

The Board recommends a vote "**FOR**" election as director of each of the nominees set forth above.

Table of Contents

Board Committees

The Board has appointed an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The Board has determined that each director who serves on these committees is "independent," as that term is defined by applicable listing standards of The Nasdaq Stock Market and Securities and Exchange Commission rules. The Board has approved a charter for each of these committees, a current copy of each committee's charter can be found on our website at <http://www.incyte.com> under the "Corporate Governance" heading in the "For Investors" portion of our website. The Board has also appointed a Finance Committee and a Non-Management Stock Option Committee.

Audit Committee

The Audit Committee's responsibilities include:

assisting the Board in fulfilling its oversight responsibilities relating to the Company's financial statements, systems of internal control over financial reporting, auditing, accounting and financial reporting processes, and compliance with legal and regulatory requirements;

appointing, compensating, evaluating and, when appropriate, replacing our independent registered public accounting firm;

reviewing and pre-approving audit and permissible non-audit services;

reviewing the scope of the annual audit;

monitoring the independent registered public accounting firm's relationship with the Company;

meeting with the independent registered public accounting firm and management to discuss and review our financial statements, internal control over financial reporting, and auditing, accounting and financial reporting processes;

COMMITTEE MEMBERS

Paul J. Clancy (Chair)

Paul A. Brooke

Wendy L. Dixon

Met 6 times in 2017

reviewing the results of management's efforts to monitor compliance with the Company's programs and policies designed to promote adherence to applicable laws and regulations;

The Board has determined that Mr. Clancy and Mr. Brooke are each qualified as an Audit Committee Financial Expert under the definition outlined by the Securities and Exchange Commission;

No members of our Audit Committee sit on more than three public company audit committees, including ours.

Table of Contents

Board Committees

Compensation Committee

The Compensation Committee's responsibilities include:

assisting the Board in meeting its responsibilities with regard to oversight and determination of executive compensation;

reviewing and making recommendations with respect to major compensation plans, policies and programs of the Company;

developing and monitoring compensation arrangements for our executive officers;

determining compensation for our CEO and other executive officers;

determining stock-based compensation awards for our executive officers;

administering performance-based compensation plans such as our Amended and Restated 2010 Stock Incentive Plan (the "2010 Stock Incentive Plan");

reviewing and recommending directors' compensation to the full Board;

possessing sole authority to select, retain, terminate and approve the fees and other retention terms of consultants as it deems appropriate to perform its duties.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee's responsibilities include:

COMMITTEE MEMBERS

Paul A. Brooke (Chair)

Julian C. Baker

Jean-Jacques Bienaimé

Met 6 times in 2017

COMMITTEE MEMBERS

Julian C. Baker (Chair)

Paul A. Brooke

identifying qualified individuals to become members of the Board;

Wendy L. Dixon

determining the composition of the Board and its committees;

Met 5 times in 2017

monitoring a process to assess Board effectiveness;

recommending nominees to fill vacancies on the Board;

reviewing and making recommendations to the Board with respect to candidates for director proposed by stockholders;

reviewing the composition, functioning and effectiveness of the Board and its committees;

developing and recommending to the Board codes of conduct applicable to officers, directors and employees and charters for the various committees of the Board;

reviewing and making recommendations to the Board regarding the succession plan relating to our CEO and other executive officers.

Finance Committee

COMMITTEE MEMBERS

The Finance Committee's responsibilities include:

Paul A. Brooke (Chair)

Julian C. Baker

assisting the Board in its oversight of the Company's strategic financing matters;

Hervé Hoppenot

reviewing and recommending matters related to the capital structure of the Company;

Met 8 times in 2017

exercising the powers of the Board that may be lawfully delegated to the Finance Committee in connection with the authorization, issuance and sale of debt or equity securities of the Company.

Table of Contents

Corporate Governance

Majority Voting Policy

Our Bylaws include a majority voting standard for the election of directors. In order to receive a majority of the votes cast, the number of shares voted "FOR" must exceed the number of votes "AGAINST"; abstentions and broker non-votes do not count as votes cast. Our Bylaws provide that, in an uncontested election, director nominees must receive a majority of the votes cast to be elected to the Board. Our Corporate Governance Guidelines state that if a nominee for director in an uncontested election does not receive a majority of the votes cast, the director should submit a resignation for consideration by the Board. The Nominating and Corporate Governance Committee will evaluate and make a recommendation to the Board with respect to the proffered resignation. The Board must take action on the recommendation within 90 days following certification of the stockholder vote. The director whose resignation is under consideration cannot participate in any decision regarding his or her resignation. The Nominating and Corporate Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation.

Board Leadership Structure and Role in Risk Oversight

Our current leadership structure and governing documents permit the roles of Chairman and CEO to be filled by the same or different individuals. Where the Chairman and CEO roles are filled by the same individual, our Corporate Governance Guidelines require the independent directors on our Board to appoint a Lead Independent Director. The Board has currently determined that it is in the best interests of our stockholders to have Hervé Hoppenot, our President and CEO, serve as Chairman, coupled with an active Lead Independent Director. As such, Mr. Hoppenot holds the position of Chairman, President and CEO, and Julian C. Baker serves as our Lead Independent Director. The Board retains the authority to modify this structure as it deems appropriate.

Focus on Independence. The Board maintains a strong commitment to ensuring Board independence so that it is able to maintain effective oversight of management. The Board's commitment to independence includes:

Annual appointment of a strong Lead Independent Director, who also represents our largest stockholder, thereby ensuring strong representation of stockholder interests

Robust duties of the Lead Independent Director:

presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors

serving as liaison between the Chairman and the independent directors

approving information sent to the Board

approving meeting agendas for the Board

approving meeting schedules to assure that there is sufficient time for discussion of all agenda items

authority to call meetings of the independent directors

being available for consultation with stockholders, when appropriate.

Table of Contents

Corporate Governance

Review, at least annually, of the Company's strategic plan and the following year's capital and operating budgets

Annual election of all directors, ensuring accountability to stockholders

Regular executive sessions of the independent, non-management directors without Mr. Hoppenot to review Company performance, management effectiveness, proposed programs and transactions and the Board meeting agenda item

Requirement that only independent directors serve on the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee

Requirement that a majority of the Board be comprised of independent directors, with 87.5% of the current Board being independent

Corporate Governance Guidelines providing that the Board may have access to Company management and employees and its own advisors, at the Board's discretion.

Benefits of Combined Leadership Structure. The Board believes that the Company and our stockholders have been best served by having Mr. Hoppenot in the role of Chairman and CEO for the following reasons:

Mr. Hoppenot is most familiar with our business and the unique challenges we face. As such, Mr. Hoppenot is the director best suited to identify strategic opportunities and focus the activities of the Board. Mr. Hoppenot's day-to-day insight into our challenges facilitates a timely deliberation by the Board of important matters.

Mr. Hoppenot has and will continue to identify agenda items and lead effective discussions on the important matters affecting us. Mr. Hoppenot's knowledge and extensive experience regarding our operations and the highly-regulated industries and markets in which we compete position him to identify and prioritize matters for Board review and deliberation.

As Chairman and CEO, Mr. Hoppenot serves as an important bridge between the Board and management and provides critical leadership for carrying out our strategic initiatives and confronting our challenges. The Board believes that Mr. Hoppenot brings a unique, stockholder-focused insight to assist the Company to most effectively execute its strategy and business plans to maximize stockholder value.

The strength and effectiveness of the communications between Mr. Hoppenot as our Chairman and Mr. Baker as our lead independent director result in effective Board oversight of the issues, plans and prospects of our Company.

This leadership structure provides the Board with more complete and timely information about the Company, a unified structure and consistent leadership direction internally and externally and provides a collaborative and collegial environment for Board decision-making.

Edgar Filing: INCYTE CORP - Form DEF 14A

Flexibility of the Leadership Structure. The Board is committed to high standards of corporate governance. The Board values its flexibility to select, from time to time, a leadership structure that is most able to serve the Company's and stockholders' best interests based on the qualifications of individuals available and circumstances existing at the time. As such, the Board periodically evaluates whether combining or separating the roles of Chairman and CEO is in the best interests of the Company and our stockholders. The Board believes that a policy limiting its flexibility to choose, consistent with its fiduciary duties, a leadership structure that will enable the Company to most effectively execute its strategy and business plans to maximize stockholder value would be detrimental to the Company and our stockholders.

Table of Contents

Corporate Governance

Board's Role in Risk Oversight. Our Board is responsible for overseeing the overall risk management process at the Company. The responsibility for managing risk rests with executive management while the committees of the Board and the Board as a whole participate in the oversight process. The Board's risk oversight process builds upon management's risk assessment and mitigation processes, which include reviews of long term strategic and operational planning, executive development and evaluation, regulatory and legal compliance, and financial reporting and internal controls. The Board considers strategic risks and opportunities and regularly receives reports from executive management regarding specific aspects of risk management. The Audit Committee also meets regularly with our Chief Compliance Officer, our internal auditor, our external auditor of our internal control over financial reporting and our independent registered public accounting firm in executive session without Mr. Hoppenot.

Director Independence

In 2017, our Board determined that each individual who served as a member of the Board in 2017, except for Mr. Hoppenot and Dr. Friedman, was an "independent director" within the meaning of Rule 5605 of The Nasdaq Stock Market.

In March 2018, our Board determined that each individual who currently serves as a member of the Board, except for Mr. Hoppenot, is an "independent director" within the meaning of Rule 5605 of the Nasdaq Stock Market.

Mr. Hoppenot is not considered independent as he is currently employed as our CEO. For Mr. Bienaimé, Mr. Baker, Mr. Brooke, Mr. Clancy, Dr. Dixon and Dr. Fouse, the Board considered their relationship and transactions with our Company as directors and security holders of our Company. For Dr. Friedman, the Board considered his status as a director, security holder and, until January 2014, chief executive officer of our Company. For 2018, the Board believed that Dr. Friedman qualified as independent under the Nasdaq rule because it has been over four years since his employment with our Company ended.

All of the nominees are current members of the Board.

Director Nominations

The Board nominates directors for election at each annual meeting of stockholders and elects new directors to fill vacancies when they arise. The Board has as an objective, set forth in our Corporate Governance Guidelines, that its membership be composed of experienced and dedicated individuals with diversity of backgrounds, perspectives and skills. The Nominating and Corporate Governance Committee has the responsibility to identify, evaluate, recruit and recommend qualified candidates to the Board for nomination or election.

The Nominating and Corporate Governance Committee will select candidates for director based on their character, judgment, diversity of experience, business acumen, and ability to act on behalf of all stockholders. The Nominating and Corporate Governance Committee believes that nominees for director should have experience, such as experience in management, accounting, finance, drug discovery and development, or marketing, or industry and technology knowledge, that may be useful to the Company and the Board; high personal and professional ethics and the willingness and ability to devote sufficient time to effectively carry out his or her duties as a director. Although the Company has no formal diversity policy for board members, the Board and the Nominating and Corporate Governance Committee consider diversity of backgrounds and experiences and other forms of diversity when selecting nominees.

The Nominating and Corporate Governance Committee believes it appropriate for at least one, and, preferably, multiple, members of the Board to meet the criteria for an "audit committee

Table of Contents

Corporate Governance

financial expert" as defined by Securities and Exchange Commission rules, and our Corporate Governance Guidelines require that a majority of the members of the Board meet the definition of "independent director" under the rules of The Nasdaq Stock Market. The Nominating and Corporate Governance Committee believes it appropriate for certain key members of our management currently, our CEO to participate as members of the Board.

Prior to each annual meeting of stockholders, the Nominating and Corporate Governance Committee identifies nominees first by evaluating the current directors whose term will expire at the annual meeting and who are willing to continue in service. These candidates are evaluated based on the criteria described above, including as demonstrated by the candidate's prior service as a director, and the needs of the Board with respect to the particular talents and experience of its directors. In the event that a director does not wish to continue in service, the Nominating and Corporate Governance Committee determines not to re-nominate the director, or if a vacancy is created on the Board as a result of a resignation, an increase in the size of the Board or other event, then the Committee will consider various candidates for Board membership, including those suggested by the Committee members, by other Board members, by any search firm engaged by the Committee and by stockholders. The Committee may only recommend, and the Board may only nominate, candidates for director who agree to tender, promptly following their election or re-election as a director, irrevocable resignations that would be effective if the director fails to receive a sufficient number of votes for re-election at the next annual meeting of stockholders at which he or she faces re-election and if the Board accepts the resignation. The Committee recommended all of the nominees for election included in this Proxy Statement. All of the nominees are current members of the Board.

A stockholder who wishes to suggest a prospective nominee for the Board should notify the Secretary of the Company or any member of the Nominating and Corporate Governance Committee in writing with any supporting material the stockholder considers appropriate. In addition, our Bylaws contain provisions that address the process by which a stockholder may nominate an individual to stand for election to the Board at our annual meeting of stockholders. In order to nominate a candidate for director, a stockholder must give timely notice in writing to the Secretary of the Company and otherwise comply with the provisions of our Bylaws. To be timely, our Bylaws provide that our Secretary must have received the stockholder's notice not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting of stockholders. However, in the event that no annual meeting was held in the preceding year or the annual meeting is called for a date that is more than 30 days before or more than 60 days after the first anniversary date of the preceding year's annual meeting of stockholders, notice by the stockholder to be timely must be so received by the Secretary of the Company not later than the close of business on the later of (1) the 90th day prior to the date of the meeting and (2) the 10th day following the first public announcement or disclosure of the meeting date. Information required by the Bylaws to be in the notice include the name and contact information for the candidate and the person making the nomination and other information about the nominee that must be disclosed in proxy solicitations under Section 14 of the Securities Exchange Act of 1934 and the related rules and regulations under that Section.

Stockholder nominations must be made in accordance with the procedures outlined in, and include the information required by, our Bylaws and must be addressed to:

Secretary
Incyte Corporation
1801 Augustine Cut-Off
Wilmington, DE 19803

Table of Contents

Corporate Governance

You can obtain a copy of the full text of the Bylaw provision by writing to the Company's Secretary at the above address.

Board Meetings

The Board held six meetings during 2017. All directors attended at least 75% of the aggregate number of meetings held by the Board and of the committees on which such director served during his or her tenure in 2017.

The independent directors meet in executive sessions at regularly scheduled meetings of the Board without the participation of our CEO or other members of management. There were four regularly scheduled meetings of the Board in 2017.

In 2017, we did not, and for 2018, we do not, have a policy that requires the attendance of directors at the Annual Meeting.

Corporate Governance Guidelines

The Board is committed to sound and effective corporate governance practices. Accordingly, the Board has adopted Corporate Governance Guidelines, which are intended to describe the governance principles and procedures by which the Board functions. The guidelines are subject to periodic review and update by the Nominating and Corporate Governance Committee and the Board, and were most recently amended in November 2017. These Guidelines can be found on our website at <http://www.incyte.com> under the "Corporate Governance" heading in the "For Investors" portion of our website.

The Corporate Governance Guidelines provide, among other things, that:

a majority of the directors must be independent;

if the Chairman of the Board is not an independent director, the independent directors will appoint a Lead Independent Director, whose duties would include presiding at all meetings of the Board at which the Chairman is not present, presiding at executive sessions of the independent directors, serving as liaison between the Chairman and the independent directors, approving information sent to the board, approving meeting agendas for the Board, approving meeting schedules to assure that there is sufficient discussion time for all agenda items, and being available for consultation with stockholders (when appropriate);

directors should offer to resign from the Board if they experience a change in their principal occupation;

directors should submit their resignations from the Board if they do not receive the votes of a majority of the votes cast in an uncontested election;

directors should advise the chair of the Nominating and Corporate Governance Committee before accepting an invitation to serve on more than four other public company boards (or, if a director is a chief executive officer of a public company, more than two other public company boards);

the Audit, Compensation, and Nominating and Corporate Governance Committees must consist solely of independent directors;

the Board and its committees may seek advice from outside advisors as appropriate;

Table of Contents

Corporate Governance

the independent directors regularly meet in executive sessions without the presence of the non-independent directors or members of our management; and

the Nominating and Corporate Governance Committee periodically reviews the composition, functioning and effectiveness of the Board and its committees, and oversees the self-assessment of the Board and its committees.

Communications with the Board

If you wish to communicate with the Board, you may send your communication in writing to:

Secretary
Incyte Corporation
1801 Augustine Cut-Off
Wilmington, DE 19803

You must include your name and address in the written communication and indicate whether you are a stockholder of the Company.

The Secretary will review any communications received from a stockholder and all material communications from stockholders will be forwarded to the appropriate director or directors or Committee of the Board based on the subject matter.

Certain Relationships and Related Transactions

Our policy is that all employees, officers and directors must avoid any activity that is or has the appearance of conflicting with the interests of the Company. This policy is included in our Code of Business Conduct, Ethics and Board Code of Conduct and Ethics. We conduct a review of all related party transactions for potential conflict of interest situations on an ongoing basis and all such transactions must be approved by the Audit Committee or another independent body of the Board. In February 2017, we entered into privately negotiated transactions for the exchange of certain of our outstanding convertible notes, including \$259.0 million in aggregate principal amount of our 0.375% Convertible Senior Notes due 2018 (the "2018 Notes") and \$274.5 million in aggregate principal amount of our 1.25% Convertible Senior Notes due 2020 (the "2020 Notes" and, together with the 2018 Notes, the "Notes") held by certain entities affiliated with Julian C. Baker (the "Baker Entities"), one of our directors. The Notes held by the Baker Entities were exchanged for an aggregate of 10,610,782 shares of our common stock and value of the consideration issued by us for each \$1,000 principal amount of 2018 Notes and 2020 Notes held by the Baker Entities was the same as the value of the consideration issued by us for each \$1,000 principal amount of 2018 Notes and 2020 Notes held by the independent third parties participating in the exchange transactions. The exchange transactions with the Baker entities were approved by a committee of the Board consisting of independent and disinterested directors. This committee was comprised of all of the members of the Audit Committee, of which two members are qualified as Audit Committee Financial Experts.

Table of Contents

Compensation of Directors

Our director compensation program is designed to enable continued attraction and retention of highly qualified non-employee directors by ensuring that our director compensation is in line with compensation offered by our peer companies that compete with us for director talent. The program is designed to address the time, effort, expertise, and accountability required of active board membership. Directors who are employees of the Company do not receive any fees for their service on the Board or any committee. Mr. Hoppenot is the Company's only employee director.

Cash Compensation

Each non-employee director receives a \$50,000 annual retainer, payable quarterly, and prorated for such portion of the year that the director serves on the Board. The chair of the Audit Committee receives an additional \$20,000 annual retainer, and each other member of the Audit Committee receives an additional \$10,000 annual retainer. The chair of the Compensation Committee receives an additional \$15,000 annual retainer, and each other member of the Compensation Committee receives an additional \$8,000 annual retainer. The chair of the Nominating and Corporate Governance Committee receives an additional \$10,000 annual retainer, and each other member of the Nominating and Corporate Governance Committee receives an additional \$5,000 annual retainer. The chair of the Finance Committee receives an additional \$15,000 annual retainer, and each other member of the Finance Committee receives an additional \$8,000 annual retainer. Non-employee directors have the option to elect to receive their retainers and committee fees in the form of restricted stock that vests immediately when the associated quarterly retainer amount is paid. All directors are reimbursed for their travel and out-of-pocket expenses in accordance with our travel policy for each in-person Board or committee meeting that they attend.

Equity Compensation

In addition to cash compensation for services as a member of the Board, non-employee directors also receive options to purchase shares of our common stock pursuant to our 2010 Stock Incentive Plan. Under the 2010 Stock Incentive Plan, each new non-employee director appointed to the Board will receive an initial stock option to purchase 25,000 shares of our common stock at an exercise price equal to the fair market value of our common stock on the date of grant. The initial stock option vests and becomes exercisable as to 25% of those shares on the first anniversary of the date of the grant, and the remaining shares vest and become exercisable monthly over the following three years. Pursuant to the 2010 Stock Incentive Plan, on the date of each annual meeting of stockholders, each non-employee director who continued to serve as a member of the Board will receive an option to purchase 15,000 shares of our common stock at an exercise price equal to the fair market value of our common stock on the date of grant. Each of these annually granted options will vest in full on the first anniversary of the date of the grant or, if earlier, the date of the next annual meeting of stockholders or upon a change in control. Under the 2010 Stock Incentive Plan, when a new non-employee director is appointed to the Board at a time other than at an annual meeting, the director receives a pro rata portion of the automatic annual grant that will vest in full on the date of our next annual meeting of stockholders. On May 26, 2017, the date of our 2017 Annual Meeting of Stockholders, each then continuing non-employee director received his or her annual grant of an option to purchase 15,000 shares of our common stock at an exercise price equal to the fair market value of our common stock on the date of grant.

Table of Contents

Compensation of Directors

The table below shows the compensation paid to each non-employee director for his or her service in 2017:

2017 Director Compensation Table

Julian C. Baker		76,000	976,221	1,052,221
Jean-Jacques Bienaimé		58,000	976,221	1,034,221
Paul A. Brooke		95,000	976,221	1,071,221
Paul J. Clancy	70,000		976,221	1,046,221
Wendy L. Dixon		65,000	976,221	1,041,221
Jacquelyn A. Fouse	6,522		1,640,635	1,647,157
Paul A. Friedman	50,000		976,221	1,026,221

(1) Value of restricted stock awards issued at the election of the director in lieu of some of his or her annual retainer and committee fees.

(2) Amounts listed in this column represent the aggregate grant date fair value of option awards granted in 2017 determined in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (ASC 718) for financial reporting purposes. See Note 11 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2017 for a discussion of our assumptions in determining the ASC 718 values of our stock awards.

(3) The following table provides the number of shares of common stock subject to outstanding options held at December 31, 2017 for each director. The number of shares shown for Dr. Friedman includes 107,500 shares underlying options received while he served as our CEO.

Name	Number of Shares Underlying Unexercised Options
Julian C. Baker	180,000
Jean-Jacques Bienaimé	75,000
Paul A. Brooke	180,000
Paul J. Clancy	75,000
Wendy L. Dixon	173,334
Jacquelyn A. Fouse	33,750
Paul A. Friedman	167,500

Table of Contents

Executive Compensation

Compensation Discussion and Analysis

We pay for performance

We do not reprice stock options without stockholder approval

25% of executive officers' target equity award value for 2018 will be in the form of performance shares

We do not provide "single-trigger" equity vesting in the event of a change-in-control

We consider peer groups in establishing compensation

We do not provide golden parachute excise tax gross-ups

We have implemented robust stock ownership guidelines for our CEO, executive officers and our directors

We have double-trigger equity vesting in the event of a change-in-control

Equity awards have a minimum vesting period of 12 months.

We have adopted a compensation clawback policy

Our Compensation Committee uses an independent compensation consultant, Compensia

We have robust anti-hedging and anti-speculation policies in place

We conduct an annual say-on-pay vote

Our Compensation Committee is comprised of all independent directors

We engage proactively with our stockholders throughout the year

Compensation Philosophy and Objectives

Edgar Filing: INCYTE CORP - Form DEF 14A

The Compensation Committee of our Board believes that the compensation of our executive officers should:

Pay for performance

Encourage creation of stockholder value and achievement of strategic corporate objectives;

Integrate compensation with our annual and long-term corporate objectives and strategy, and focus executive behavior on the fulfillment of those objectives;

Provide a competitive total compensation package that enables us to attract and retain, on a long-term basis, qualified personnel; and

Provide fair compensation consistent with internal compensation programs.

As an example, executive compensation has evolved over the last several years to include greater percentages of equity-based compensation, including stock options and restricted stock

Table of Contents

Executive Compensation

units, which the Compensation Committee believes aligns executives interests with the long-term best interests of our company and our stockholders. The chart below illustrates this evolution with respect to our CEO's compensation:

CEO Compensation Increasingly Linked to Performance

Table of Contents

Executive Compensation

CEO Compensation In-Line with 2018 Peer Group

Implementing Our Objectives Role of Compensation Committee and Our Chief Executive Officer

The Compensation Committee approves, administers and interprets our executive compensation and benefits policies, including our 2010 Stock Incentive Plan. The Compensation Committee evaluates the performance of our CEO and determines his compensation in light of the goals and objectives of our compensation program. Our CEO and the Compensation Committee together assess the performance of our other executive officers and determine their compensation, based on initial recommendations from our CEO.

Role of the Independent Compensation Consultant

Under its charter, the Compensation Committee has the sole authority to retain any independent compensation consultant or other advisor as the Committee may deem appropriate. Pursuant to this authority, the Compensation Committee has engaged Compensia, a national compensation consulting firm, for support on matters related to the compensation of our executive officers. Compensia does not provide any other services to our company.

Compensia was retained by the Compensation Committee to prepare compensation analyses for our executive officers and the non-employee members of our Board of Directors. Specifically, Compensia was directed to provide a competitive market analysis of the base salary, annual cash incentive awards, and long-term incentive equity compensation of our executive officers compared against our compensation peer groups and to review other market practices and trends. This market analysis was reviewed with the Compensation Committee in connection with its January 2017 compensation decisions, and was used to guide decisions regarding base salary adjustments and target annual cash and equity incentive award opportunities. Updated data prepared by Compensia were used to inform the July 2017 equity award decisions made by the Compensation Committee.

Table of Contents

Executive Compensation

Market Reference Data. While the Compensation Committee reviewed market benchmarks, it does not target a specific percentile within our peer group but rather utilizes market reference data to evaluate the competitiveness of our executive officers' compensation and to determine whether the total compensation paid to each of our named executive officers was reasonable in the aggregate.

In connection with its analysis for purposes of 2017 compensation decisions, the Compensation Committee reviewed information prepared by Compensia comparing the compensation for our executive officers with data from SEC filings and the Radford Life Science Survey for a peer group comprised of 16 publicly-traded biopharmaceutical companies. Where peer data was unavailable, Compensia used survey data from the Radford Life Science Survey and the Mercer Survey. We collectively refer to this data as the competitive compensation data.

The peer group for 2017 compensation decisions, referred to as the 2017 peer group, was based on the peer group of 16 companies used by the Compensation Committee for purposes of the mid-2016 revisions to our equity award practices. That peer group was changed from the peer group used in early 2016 for compensation decisions, which was comprised of 12 core and three additional peer companies, by dropping four specialty pharmaceutical companies and replacing them with six research and development intensive biopharmaceutical companies, with two of the former non-core peers also added to the new 16 company peer group. The peer companies were chosen based on the following characteristics: major labor and capital market competitors, broadly similar size in revenue, market capitalization and headcount, and similar product and business models. Compensia noted that although one of the companies, Medivation, had agreed to be acquired in late 2016, data from Medivation were still available for purposes of its analysis and, accordingly, Medivation was retained in the peer group.

In January 2018, the peer group was changed again by dropping four companies ARIAD Pharmaceuticals, Intercept Pharmaceuticals, Medivation and Ultragenyx Pharmaceuticals because those companies were either acquired or no longer met our criteria, and added four new companies Biogen, Bioverativ, Exelexis and Tesaro that did meet our criteria. This updated peer group was used for 2018 compensation decisions and is referred to as the 2018 peer group.

Table of Contents

Executive Compensation

The following table sets forth our peer group criteria and a comprehensive list of the peer group companies used for 2017 and 2018 compensation decisions:

How We Establish Our Peer Group

Using recent data as of September 30, 2017, the following tables illustrate Incyte's twelve trailing months of revenue performance relative to the 2018 peer group and also illustrate our relative headcount and revenue-to-employee ratio compared to the 2018 peer group. We believe this data helps underscore the efficiency of our operations.

Table of Contents

Executive Compensation

Incyte vs 2018 Peer Group

Incyte vs 2018 Peer Group

Table of Contents

Executive Compensation

In connection with its review of 2016 performance and to establish base salaries and other cash compensation for 2017, the Compensation Committee noted that Compensia's analysis indicated that, in general, our executive officers' 2016 base salaries fell near the 50th percentile of the 2017 peer group, and total target annual cash compensation (base salary plus target bonus) fell near the 55th percentile, with significant variation by individual in each case. In general, our long-term incentive values and target total direct compensation fell near the 75th percentile. Our CEO's base salary and target total cash compensation approximated the peer group 55th percentile and his long-term incentive value and target total direct compensation approximated the peer group 75th percentile. Compensia noted that at that time we were at or above the peer group 60th percentile on all financial metrics — one and three-year revenue growth, operating margin, net margin and total stockholder return. Compensia's analysis also indicated that our annual burn rate and overhang fell below the peer group 25th percentile.

Equity Grant Practices. In July 2016, the Compensation Committee, after consulting with Compensia with respect to peer group practices, revised our equity grant guidelines. The amounts of our annual stock option grants are now determined in the middle of each calendar year, with one-half of the grants made at that time and one-half made at the beginning of the following calendar year, with a view toward countering some of the effects of the volatile trading price of our common stock. Our annual stock option grants under these new guidelines now have a ten year term with four year service-based vesting with one-quarter vesting after one year and the remainder vesting in 36 equal monthly installments. Our annual restricted stock unit (RSU) awards vest in equal installments on each of the first four anniversaries of the grant date. RSU awards for executive officers are being discontinued in favor of performance share awards, starting with the next equity award cycle in July 2018 (as described further below). The Compensation Committee also has the discretion to make special stock option awards, which have a ten year term and vest in a single installment after four years.

The exercise price of each stock option awarded under our 2010 Stock Incentive Plan is the closing price of our common stock on the date of grant, which for our annual stock option grants are the dates of the regularly scheduled Compensation Committee meetings in the middle of the year at which equity awards for senior executives are determined and at the beginning of the year at which salary adjustments and cash bonuses under our incentive compensation plan are determined. These meetings are scheduled in advance, and we do not coordinate the timing of equity award grants with the release of financial results or other material announcements by our company. Under our 2010 Stock Incentive Plan, we may not reprice or replace options at lower exercise prices without stockholder approval.

In 2016 and 2017, 75% of the value of an executive officer's annual equity-based incentive awards were in the form of stock options while the remaining 25% were in the form of RSUs. While we continue to believe RSUs incentivize performance, we value stockholder feedback. Accordingly, in 2018, the Compensation Committee determined to change the RSU portion to performance share awards, which would combine the time-based vesting aspects of RSUs with performance-based vesting requirements.

Tax Deductibility of Compensation. Section 162(m) of the Internal Revenue Code places a limit of \$1,000,000 on the amount of compensation that we may deduct in any one year with respect to our CEO and each of the next three most highly compensated executive officers (excluding the chief financial officer for taxable years prior to 2018). Section 162(m) historically permitted deductions in excess of \$1,000,000 for "performance-based compensation," which included stock options meeting certain requirements, but the exception for "performance-based compensation" has been repealed effective for taxable years beginning after December 31, 2017.

Table of Contents

Executive Compensation

Stock options that we granted in 2017 and prior years may still qualify for full deductibility under a transition rule for amounts payable pursuant to written binding contracts in effect on November 2, 2017, but we cannot be certain about the scope of the transition rule until further guidance is issued. To maintain flexibility in compensating our executive officers in a manner designed to promote varying corporate goals, the Compensation Committee has not adopted a policy requiring all executive compensation to be deductible.

Equity Ownership Guidelines. Effective January 1, 2016, our Board adopted robust equity ownership guidelines for members of senior management, including our executive officers, and members of the Board. Under these guidelines, the covered individuals are expected to meet the following equity ownership requirements:

CEO	6x Annual Base Salary
All Other Executive Officers	3x Annual Base Salary
Non-Employee Members of the Board	6x Annual Cash Retainer

All directors and executive officers have either met their respective equity ownership targets or are within the five-year period for achieving compliance.

Covered individuals as of January 1, 2016 must satisfy these guidelines by December 31, 2020, and individuals who subsequently become subject to the guidelines will have five years to reach their ownership requirements. Shares held directly, shares held indirectly, such as by a trust or a 401(k) plan, unvested restricted shares and RSUs, and shares underlying vested stock options are included in determining an individual's equity ownership. Unvested stock options and unearned performance shares are not counted toward meeting these guidelines.

Compensation Recovery Policy. In late 2017, in response to our 2017 stockholder engagement campaign (described more fully under "Stockholder Engagement" on page 6), our Compensation Committee adopted a compensation recovery ("clawback") policy which provides that, in the event that, on account of fraud or other intentional misconduct, we are required to prepare an accounting restatement, we may recover from any executive officer any incentive compensation erroneously paid or awarded in excess of what would have been paid under the accounting restatement. This policy applies prospectively to certain incentive compensation paid or awarded after January 1, 2018, its effective date, and covers the three-year period preceding the date on which we are required to prepare the accounting restatement. The incentive compensation to which it applies is cash bonuses or other cash awards to the extent those bonuses or awards are earned based on the attainment of a financial reporting measure presented in our financial statements or derived from our accounting records. In addition, we are subject to the provisions of Section 304 of the Sarbanes-Oxley Act of 2002, which provides that if we are required as a result of misconduct to restate our financial results due to our material noncompliance with any financial reporting requirements under the federal securities laws, our CEO and Chief Financial Officer may be legally required to reimburse us for any bonus or other incentive-based or equity-based compensation they receive. To the extent our policy is inconsistent with any final regulations adopted by the SEC to implement the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we intend to revise our policy to comply with those regulations.

Limitations on Hedging and Pledging. Under our insider trading policy, our employees, including our executive officers, and Board members are prohibited from trading in our securities on a short-term basis, purchasing our securities on margin, making short sales in our securities,

Table of Contents

Executive Compensation

buying or selling put or call options on our stock, pledging our securities as collateral for a loan, and engaging in other hedging or monetization transactions such as equity swaps and collars.

Effects of Stockholder Advisory Vote on Executive Compensation; Stockholder Engagement. Approximately 97% of the votes cast in the stockholder advisory "say on pay" vote on executive compensation in 2017 approved our executive compensation described in last year's proxy statement. Throughout the 2017 proxy season, we engaged directly or indirectly through our proxy solicitor, D. F. King & Co., with investors across the vast majority of our stockholder base, including our top ten stockholders who represented over 60% of our outstanding shares at that time. The Compensation Committee considered the result of the stockholder advisory vote as strong support for its compensation policies, practices and philosophy for our executive officers. Accordingly, the Compensation Committee determined not to make any significant adjustments as a result of the vote.

While say-on-pay votes are a key indicator of stockholder feedback, we are committed to keeping an open dialogue with our stockholders, including our institutional investors, throughout the year, not just during proxy season. We regularly and frequently engage with our stockholders to discuss business topics, seek feedback on our performance and address other matters of importance to our stockholders, such as executive compensation and corporate governance. Even though our 2017 say-on-pay vote resulted in nearly unanimous approval of our compensation practices, our 2017 stockholder engagement campaign (described more fully under "Stockholder Engagement" on page 6) made clear that a persistent stockholder concern was that our executive compensation program did not include any performance-based shares tied to financial metrics. As a result, and as described elsewhere in this proxy statement, the Compensation Committee has ceased including time-based restricted stock units as part of executive compensation and, instead, will include performance shares tied to pre-specified performance goals (which will be revenue-based for 2018) starting with the next equity grant cycle in July 2018. These performance share awards will comprise 25% of each executive officer's target equity award value.

The Compensation Committee intends to continue to regularly review, assess and, when appropriate, adjust our compensation practices based on feedback from our stockholders or other determinations informed by best practices and trends.

Table of Contents

Executive Compensation

Key Elements of Executive Compensation

Our executive officers' compensation currently includes three primary components: base salary, cash bonus, and equity-based incentive awards. Of these components, only base salary is not tied directly and meaningfully to our company's performance because base salary is intended to attract and retain key talent by providing a stable source of income. In addition, we provide our executive officers a variety of benefits that are available generally to all salaried employees.

Executive Compensation

Table of Contents**Executive Compensation**

Base Salary. Base salaries are designed to attract and retain qualified personnel by providing a consistent cash flow throughout the year as compensation for acceptable levels of performance of day-to-day responsibilities. Base salaries for our executive officers are established based on the scope of their responsibilities, their performance, and their prior relevant background, training and experience, taking into account competitive market compensation paid by the companies represented in the compensation data we review for similar positions and the overall market demand for those executive officers at the time of hire. The Compensation Committee reviews salaries on an annual basis. At such time, the Compensation Committee may change each executive officer's salary based on the individual's contributions and responsibilities over the prior twelve months and any change in competitive market pay levels.

In January 2017, the Compensation Committee set the 2017 base salaries for our executive officers. The Committee considered our company's performance in 2016, including our commercial operations, clinical trial progress of our other drug candidates, job performance, internal pay alignment and equity, marketplace competitiveness and the 2017 peer group data in determining the base salaries for 2017.

In January 2018, the Compensation Committee set the 2018 base salaries for our executive officers. The Committee considered our company's performance in 2017, including our commercial operations, clinical trial progress of our other drug candidates, job performance, internal pay alignment and equity, marketplace competitiveness and the 2018 peer group data in determining the base salaries for 2018.

	2015	2016	2016	2017	2017	2018	2018
Hervé Hoppenot	\$ 904,000	4.0%	\$ 940,000	3.0%	\$ 968,200	3.0%	\$ 997,246
David Gryska	\$ 537,675	3.0%	\$ 553,805	3.0%	\$ 570,419	3.0%	\$ 587,532
Reid Huber	\$ 400,000	20.0%	\$ 480,000	3.0%	\$ 494,400	3.0%	\$ 509,232
Steven Stein	\$ 430,000	3.0%	\$ 442,900	7.25%	\$ 475,000	10.5%	\$ 525,000
Wenqing Yao	\$ 380,000	13.2%	\$ 430,000	4.65%	\$ 450,000	3.0%	\$ 463,500

For each of 2017 and 2018, 3.0% was the average base salary increase for all of our employees.

Incentive Compensation Plan. Each year, we have established an incentive compensation plan that provides for cash incentive awards for all of our eligible employees. The plans have been designed to pay for performance by aligning incentive awards for each participant with an evaluation of our achievement of corporate objectives. These corporate objectives are approved by the independent members of our Board based on the recommendations of the Compensation Committee, as well as, in the case of individuals other than our CEO, the achievement of individual business objectives for a particular year. Eligibility to participate in the plans and actual award amounts are not guaranteed and are determined, in the case of our executive officers, at the discretion of the Compensation Committee. After the completion of each year, the Compensation Committee reviews with our CEO the level of achievement of the corporate objectives under the plan and determines the size of the overall bonus pool to be used for awards. The Compensation Committee, with input from our CEO with respect to our other executive officers, may use discretion in determining for each executive officer his or her bonus amount.

Incentive awards for our executive officers were approved by the Compensation Committee and paid in 2018 pursuant to our 2017 incentive compensation plan. Each of our executive officers other than our CEO had a funding target under the plan of 50% of his or her annual base salary for 2017, with the potential for actual awards under the plan to either exceed or be less than the

Table of Contents

Executive Compensation

funding target depending upon corporate performance, as well as the executive officer's achievement of certain individual goals that are predetermined by our CEO. Our CEO had a funding target under the plan of 100% of his annual base salary for 2017, with the potential for actual awards under the plan to either exceed or be less than such funding target depending upon corporate performance. Target incentive award amounts for each participant were based on the participant's potential impact on our operating and financial results and on market competitive pay practices. Individual performance goals were established for eligible employees other than our CEO, and evaluations were based upon whether the employee met, exceeded or did not meet each established goal. Under our incentive compensation plan, the percentage of potential incentive awards attributable to the achievement of individual goals decreases as seniority increases, with a greater proportion of the potential incentive awards for executive officers being based upon achievement of corporate performance objectives. The Committee believes that it is appropriate to align a higher percentage of our executive officers' total cash compensation with the achievement of our Board-approved corporate objectives because those objectives are determined with a view toward progressing our company's business and maximizing stockholder value. Linking a significant percentage of executive officer cash incentive awards to achievement of Committee-approved corporate objectives puts a substantial portion of our CEO's and executive officers' cash compensation at risk, and is another way the Committee pays for performance.

While executive officers other than our CEO have individual performance objectives that are evaluated by our CEO, the outcome of those objectives did not affect awards under our 2017 incentive compensation plan to those officers, and the award amounts were based solely on achievement of the corporate performance objectives.

Table of Contents

Executive Compensation

2017 Corporate Performance Objectives

Corporate performance objectives for 2017 were based on achievement of drug discovery objectives, drug development objectives, commercial objectives, finance objectives, and technical operations objectives.

Threshold, target and outperform achievement levels were defined for each corporate objective, resulting in potential payouts ranging from 0% to 150% for each objective depending on achievement of such performance levels, with threshold resulting in 75% of the target percentage and outperform resulting in 150% of the target percentage. Bonus opportunities for certain objectives enabled the payout of up to an additional 65 percentage points for extraordinary achievements beyond core objectives.

At the time the corporate performance objectives for 2017 were set, the Committee and management believed that achievement of the target levels of performance would be difficult and challenging, but achievable with significant effort and skill, favorable preclinical study and clinical trial results, continued strong commercial performance, and successful stock price performance.

In January 2018, the Compensation Committee evaluated the achievement of the 2017 corporate performance objectives and determined that incentive awards under our 2017 incentive compensation plan should be based upon achievement of 152.5% of the target level of corporate

Table of Contents

Executive Compensation

performance objectives. The various objective categories, target payouts and actual payouts, are listed in the table below.

Drug Discovery	20	30
Achieved IND filings for LSD1 and AXL/MER compounds		
Achieved pre-clinical milestones relating to certain large molecule programs		
Achieved advancement milestones relating to certain small molecule programs		
Bonus Opportunity Achieved		15
Identified a nomination candidate for a new potential drug candidate program with requisite specified potency and projected human pharmacokinetics		
Drug Development	34	25.5
JAK Programs	10	7.5
Completed enrollment in the REACH1 clinical trial of ruxolitinib for GVHD		
Opened enrollment of the GRAVITAS trial of itacitinib in GVHD		
Did not achieve first patient enrolled in RESET clinical trial of ruxolitinib in essential thrombocythemia by pre-specified date		
Did not achieve pre-specified target enrollment in GRAVITAS trial of itacitinib in GVHD		
ECHO Program	12	0
Did not achieve certain pre-defined milestones for ECHO pivotal trials		
Targeted Therapies	8	12
Enrolled specified numbers of patients by pre-specified deadlines in numerous clinical trials involving our PI3K-delta, FGFR, LSD1, BRD, PIM and FGFR4 programs		
Immune Therapies	2	3

Began enrollment in combination studies with G1TR and OX40 compounds

**Identified a recommended Phase II dose for at least one combination regimen for G1TR
Non-Oncology**

2 3

Opened the dose-ranging clinical trial of topical ruxolitinib for vitiligo

**Completed enrollment of the clinical trial of topical ruxolitinib for atopic dermatitis
ECHO Program Bonus Opportunity Achieved**

25

**Achieved certain commencement milestones by pre-specified deadlines for multiple registration directed
studies in advanced disease with epacadostat
Commercial**

30 38

**Achieved Jakafi net sales above target at \$1133 million, Iclusig net sales above target at \$66.5 million and
shipped Jakafi bottles above target
Finance/Business Development**

8 6

Achieved a specified tax strategy objective

**Did not achieve certain capital structure optimization objectives despite retiring over \$700 million in debt
and raising \$650 million from an equity issuance.**

**Did not achieve a pre-specified stock price performance objective
Business Development Bonus Opportunity Achieved**

5

**Entered into strategic agreements by which we acquired global rights to Calithera's Arginase inhibitor
and MacroGenics' anti-PD-1 antibody
Technical Operations**

8 8

Achieved pre-specified manufacturing and process development objectives

Table of Contents

Executive Compensation

The table below sets forth the incentive awards under our 2017 incentive compensation plan for our named executive officers:

Name	Year-End Salary (A) x	Target Bonus % (B) x	Overall Multiplier (C) =	Bonus Award (D)
Hervé Hoppenot	\$ 968,200	100%	152.5%	\$ 1,476,505
David W. Gryska	\$ 570,419	50%	152.5%	\$ 434,945
Reid M. Huber	\$ 494,400	50%	152.5%	\$ 376,980
Steven H. Stein	\$ 475,000	50%	152.5%	\$ 362,188
Wenqing Yao	\$ 450,000	50%	152.5%	\$ 343,125

We have seen tremendous growth at Incyte over the last several years in terms of revenue, clinical candidates, employees and geographic reach. Strong revenue growth, including record revenue in 2017, helps fund our world-class research and development efforts, our business development activities and our technical operations activities. The goal of all these efforts is to bring new first-in-class or best-in-class medicines to patients with unmet needs. In fact, as the above chart detailing our 2017 corporate objectives illustrates, our earlier strategic transactions such as our collaboration with Agenus, which has allowed us to develop a new monoclonal antibody focus, including GITR and OX40 are starting to make meaningful clinical progress. We expect that this will continue and that our pipeline will continue to expand.

Our incentive compensation program is designed to incentivize employees, including our executive officers, in every area of our company, which we believe helps lead to significant achievement across all areas. Our Compensation Committee believes that measuring and rewarding achievements from all functions including functions such as discovery, development, technical operations and business development, whose efforts take a much longer time to make an impact on our top-line revenue or on our stock price helps ensure that we are properly incentivizing the collective efforts that lead not only to successful current commercial performance but also critically set the stage for potential continued growth and potential long-term sustained success in the years ahead.

The chart below illustrates the achievement levels under our incentive compensation program over the last three years:

Incentive Compensation Plan Achievement 2015-2017

Table of Contents

Executive Compensation

2018 Corporate Performance Objectives

In January 2018, our Board, based on the recommendations of the Compensation Committee, approved corporate objectives for our 2018 incentive compensation plan. Under this plan, the funding targets for our executive officers remain the same as for 2017. Corporate performance objectives for 2018 are based on achievement of drug discovery objectives, drug development objectives and commercial objectives.

Threshold, target and outperform achievement levels are defined for each corporate objective and, depending on the achievement of those performance levels, a payout ranging from 0% to 150% may be made for each objective. The ECHO-301 component of our drug development objectives may only be achieved at the outperform level and relates to achieving data sufficient for a regulatory submission. Bonus objectives include an extra 5% for drug discovery, an extra 25% for drug development, and an extra 5% for business development. Collectively, the bonus opportunities enable the payout of up to an additional 35 percentage points for extraordinary achievements beyond core objectives.

The Committee and management believe that achievement of the target levels of performance for the non-ECHO-301 objectives will be difficult and challenging, but achievable with significant effort and skill, favorable preclinical study and clinical trial results and continued strong commercial performance. As noted above, achievement of the ECHO-301 component of our drug development objectives will depend on clinical trial results.

Equity-Based Incentive Awards. The Compensation Committee administers equity-based incentive awards, such as stock option grants, RSUs and performance shares, that are made to our executive officers under our 2010 Stock Incentive Plan. The Compensation Committee believes that by providing those persons who have substantial responsibility for our management and growth with an opportunity to increase their ownership of our stock, the best interests of our stockholders and executive officers will be closely aligned. Therefore, executive officers are eligible to receive equity-based incentive awards when the Compensation Committee performs its annual review, although these awards may be granted at other times in recognition of exceptional achievements. As is the case when the amounts of base salary and initial equity awards are determined, the Compensation Committee conducts a review of all components of an executive officer's compensation when determining annual equity awards to ensure that the executive's total compensation conforms to our overall philosophy and objectives.

Table of Contents

Executive Compensation

Under our 2010 Stock Incentive Plan, we may grant restricted shares, performance shares, RSUs or stock appreciation rights.

Equity Awards are Performance-Based. In 2017, executive officers received stock options and RSUs. The value of these awards are inherently performance-based.

Stock options pay nothing to our executive officers unless stockholders benefit. In addition, with a ten-year life and a four-year vesting period, stock options are in sync with the time required for discovery, development and commercialization of new medicines. Our Compensation Committee believes that stock options help align executives' interests with the long-term interests of our company and our stockholders. Stock options reinforce our belief that future potential growth of Incyte will be generated by innovation, our discovery and development pipeline, demand for our products and our commercial execution.

RSU awards grow or decline in value based on stock price, also linking executive officers' compensation to the value delivered to stockholders.

In addition to the performance-based aspects of stock options and RSUs, the four-year vesting periods of these awards also serves a critical retention function. Time-based vesting helps ensure the long-term retention of highly valuable executive officers, in whom we have invested considerable time and money, and the intellectual capital they create as well as continuity of their respective teams.

While the Compensation Committee believes that RSUs are an important performance-based component and nearly all stockholders approved of our executive compensation program in our 2017 say-on-pay vote, it became clear through our 2017 stockholder outreach campaign that stockholders would prefer performance share awards be issued in lieu of RSUs. After careful research and consideration, including consultation with its independent compensation consultant, Compensia, the Compensation Committee approved the elimination of future RSU grants for our executive officers and the creation of new performance shares which will be tied to pre-determined performance goals (which will be revenue-based for 2018) and would also be subject to four-year vesting. These performance shares will be granted for the first time when the next equity grant cycle begins in July 2018. While the grants will not occur until July 2018, the revenue triggers were determined by the Compensation Committee in February 2018. Depending on revenue actually achieved, the payout on these new performance shares can vary from 0% to 150% of target. These performance shares will comprise 25% of an executive officers total target equity compensation. The Compensation Committee believes that these new performance shares align our executive officers' interest even more closely with the financial performance of our company and the eventual value delivered to stockholders.

2016 Equity Grant Guidelines Revision. As described above under "Implementing Our Objectives Equity Grant Practices," the Compensation Committee revised our equity grant guidelines and terms of our equity awards in July 2016 and we started a new cycle of annual grants in July 2016. Because annual stock option grants are now made twice per year, one-half of the options awarded to individuals with respect to 2017 were granted in July 2017 and the remainder were granted in January 2018, although the number of options to be granted were determined in July 2017 and the four-year vesting schedule for those options commences as of the July grant date. Each of our executive officers was granted options to purchase shares of our common stock and RSUs based on our revised equity award guidelines. Our CEO received awards with a grant date target value of \$7,000,000, which was intended to bring his annual long-term incentive compensation to the approximate the 50th percentile of the peer group, and each of our executive vice presidents received awards (including options to be granted in January 2018) with a grant date target value of \$1,800,000. These values were unchanged from those awarded in July 2016 in

Table of Contents

Executive Compensation

connection with the prior annual grant cycle. For each executive officer, the value as of the grant date of the options was equal to 75%, and the value of the shares underlying the RSUs was equal to 25%, of the aggregate value of such options and shares, in each case as determined under generally accepted accounting principles consistent with the valuation of our company's equity incentives. In January 2018, certain of our executive officers received special option grants intended to incentivize and retain those individuals. Our CEO received a grant with a grant date target value of \$1,200,000 and certain other executive officers received grants with a grant date target value of \$1,000,000. In connection with the prior annual equity award cycle beginning in July 2016, our CEO received a special option grant in January 2017 with a grant date target value of \$5,000,000 and certain other executive officers received grants with a grant date target value of \$1,000,000. These special option grants are subject to four-year cliff vesting.

While the Compensation Committee, in its discretion, may elect to make grants of restricted shares, performance shares, RSUs or stock appreciation rights if it deems it advisable, the 2010 Stock Incentive Plan contains a limit on the total amount of shares that may be issued other than upon the exercise of stock options or stock appreciation rights or pursuant to sales of restricted shares at purchase prices at least equal to the fair market value of the shares sold. That limit is currently 2,500,000 shares.

Termination Based Compensation Under Employment Agreements and Offer Letters. Our executive officers are parties to employment agreements and offer letters, as described below under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements."

These employment agreements and offer letters provide for severance payments and acceleration of vesting of equity-based awards upon termination of employment under the circumstances described below under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements." In general, the employment agreements provide for severance benefits if an officer's employment is terminated within 24 months following a change in control. These agreements are designed both to attract executives, as we compete for talented employees in a marketplace where such protections are routinely offered, and to retain executives and provide continuity of management in the event of an actual or threatened change in control.

Other Compensation. All of our full-time employees, including our executive officers, may participate in our health programs, such as medical, dental and vision care coverage, and our 401(k) and life and disability insurance programs. These benefits are designed to provide our executive officers and eligible employees a competitive total compensation package that enables us to attract and retain qualified personnel. Under our employment agreement with our CEO, we pay the premiums with respect to a six-year insurance policy that becomes payable to the CEO or his estate upon his disability or death.

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. Hoppenot, our CEO. The pay ratio included in this information is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

For 2017, our last completed fiscal year:

the median of the annual total compensation of all employees of our company (other than our CEO), was \$253,015; and

Table of Contents

Executive Compensation

the annual total compensation of our CEO, as reported in the Summary Compensation Table presented elsewhere in this Proxy Statement, was \$16,087,031.

Based on this information, for 2017 the ratio of the annual total compensation of Mr. Hoppenot, our CEO, to the median of the annual total compensation of all employees was 64 to 1.

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of the "median employee," the methodology and the material assumptions, adjustments, and estimates that we used were as follows:

We determined that, as of December 31, 2017, our employee population consisted of 1,208 employees, with 985 based in the United States and 223 based in Europe and Japan.

We selected December 31, 2017, which is within the last three months of 2017, as the date upon which we would identify the "median employee".

For all employees, we examined total compensation, which included: base salary, incentive compensation plan payments for non-sales employees, sales incentive compensation plan payments for sales employees, equity awards consisting of stock options and restricted stock units, and other compensation such as 401(k) matching contributions and Company-paid life insurance premiums.

We included all employees, whether employed on a full-time or part-time basis, and we annualized the compensation of all permanent employees who were not employed by us for all of 2017.

We did not make any cost-of-living adjustments in identifying the "median employee."

For employees outside the United States, we converted their compensation to U.S. dollars using the average exchange rate for 2017.

Compensation Committee Report

This report shall not be deemed to be "soliciting material" or "filed" with the Securities and Exchange Commission or be deemed incorporated by reference into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates it by reference into a document filed under such Acts.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth in this Proxy Statement with our management. Based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Compensation Committee

Paul A. Brooke (Chair)

Julian C. Baker

Jean-Jacques Bienaimé

Table of Contents**Executive Compensation****Named Executive Officers**

The Summary Compensation Table, Grants of Plan-Based Awards Table and the tables that follow provide compensation information for our named executive officers, including Hervé Hoppenot, our CEO, David W. Gyska, our Executive Vice President and Chief Financial Officer, and Reid M. Huber, Steven H. Stein and Wenqing Yao.

Our named executive officers' total compensation for 2017 as determined under the rules of the Securities and Exchange Commission, or SEC, is set forth in the following table under the caption "Total."

SUMMARY COMPENSATION TABLE

Hervé Hoppenot President and Chief Executive Officer	2017	966,505		1,755,563	11,677,844	1,476,505	210,614	16,087,031
	2016	937,738		2,810,905	6,720,183	1,129,880	208,407	11,807,113
	2015	898,800		921,860	2,766,054	1,163,900	198,040	5,948,654
David W. Gyska Executive Vice President and Chief Financial Officer	2017	569,421		451,372	1,588,433	434,945	35,519	3,079,690
	2016	552,792		715,609	1,649,443	332,837	17,485	3,268,166
	2015	537,366		221,241	663,854	346,128	28,000	1,796,589
Steven H. Stein Executive Vice President and Chief Medical Officer(4)	2017	473,070	100,000(5)	451,372	2,688,504	362,188	24,121	4,099,255
	2016	442,089		715,609	1,649,441	266,183	16,338	3,089,660
Reid M. Huber	2017	493,534		451,372	2,688,504	376,980	40,680	4,051,070

Executive Vice President and Chief Scientific Officer	2016	474,973	715,609	2,549,416	288,480	34,866	4,063,344
	2015	397,462	221,241	1,788,713	257,500	33,610	2,698,526
Wenqing Yao	2017	448,798	451,372	2,688,504	343,125	41,374	3,973,173
Executive Vice President, Head of Discovery Chemistry	2016	426,858	715,609	2,124,411	258,430	34,299	3,559,607
	2015	378,558	221,241	1,413,759	244,625	29,127	2,287,310

(1)

Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts reported above in the "Stock Awards" and "Option Awards" columns represent the aggregate grant date fair value of option and RSU awards granted in the respective fiscal years, as determined in accordance with ASC 718. Additional information with respect to 2017 option and RSU awards is set forth in the "2017 Grants of Plan-Based Awards" table below.

(2)

Amounts listed in this column represent bonuses paid under the annual incentive compensation plan for each of the respective years. These amounts are not reported in a separately identified Bonus column because the awards are tied to corporate performance objectives.

Table of Contents

Executive Compensation

- (3) Amounts listed in this column for each year represent payments made for group term life insurance and matching contributions under our 401(k) plan and also the following payments:

			\$26,131		
Hervé Hoppenot	2017	\$ 160,207(1)	(\$12,631)	\$4,400	
			\$24,118		
	2016	\$ 160,207(1)	(\$11,118)	\$4,400	
			\$24,187		
	2015	\$ 160,207(1)	(\$11,687)	\$4,400	
			\$15,211		
David Gryska	2017		(\$7,937)		
	2016				
					\$20,489
	2015				(\$6,641)
			\$23,683		
Reid Huber	2017		(\$11,683)		
			\$23,794		
	2016		(\$11,794)		
			\$23,794		
	2015		(\$11,794)	\$4,400	
			\$2,358		
Steven Stein	2017		(\$1,098)	\$4,400	
	2016			\$4,400	
	2015				
			\$23,123		
Wenqing Yao	2017		(\$11,123)		
			\$18,090		
	2016		(\$6,090)		
			\$23,223		
	2015		(\$11,223)		

(1)

Payment of life insurance premiums for Mr. Hoppenot is designed to compensate him for certain components of equity awards from his previous employer that he forfeited when joining Incyte. Our obligation to make these payments expires in 2020. For a more detailed explanation, please see "Employment Contracts, Termination of Employment and Change-in-Control Arrangements President and CEO Life Insurance and Disability Insurance Coverage" below on page 48.

- (2) Amounts in this column are inclusive of tax gross-up payments. The amount of the specific tax gross-ups are detailed in the parentheses next to the total amount.
- (3) Amounts in this column are inclusive of tax gross-up payments. The amount of the specific tax gross-ups are detailed in the parentheses next to the total amount.
- (4) Dr. Stein was appointed Executive Vice President, Chief Medical Officer in May 2016.
- (5) This amount represents a portion of Dr. Stein's signing bonus in connection with the commencement of his employment and intended to compensate Dr. Stein for compensation forfeited by leaving his previous employer; payment of this portion was deferred until the second anniversary of the date of his employment.

Table of Contents

Executive Compensation

2017 Grants of Plan-Based Awards

Hervé Hoppenot	726,150	968,200	2,081,630			
01/17/2017					94,325(6)	113.64
01/17/2017					74,245(5)	113.64
07/05/2017					47,168(7)	128.34
07/05/2017				13,679		128.34
David W. Gryska	213,907	285,210	613,201			
01/17/2017					19,091(5)	113.64
07/05/2017					12,128(7)	128.34
07/05/2017				3,517		128.34
Steven H. Stein	178,125	237,500	510,625			
01/17/2017					18,865(6)	113.64
01/17/2017					19,091(5)	113.64
07/05/2017					12,128(7)	128.34
07/05/2017				3,517		128.34
Reid M. Huber	185,400	247,200	531,480			
01/17/2017					18,865(6)	113.64
01/17/2017					19,091(5)	113.64
07/05/2017					12,128(7)	128.34
07/05/2017				3,517		128.34
Wenqing Yao	168,750	225,000	483,750			
01/17/2017					18,865(6)	113.64
01/17/2017					19,091(5)	113.64

07/05/2017		12,128(7)	128.34	678,000
07/05/2017	3,517		128.34	451,372

- (1) The target amounts shown reflect our annual incentive plan awards originally provided under the 2017 incentive compensation plan and represent the pre-established target awards as a percentage of base salary for the 2017 fiscal year, with the potential for actual awards under the plan to either exceed or be less than such funding target depending upon corporate performance. Actual award amounts are not guaranteed and are determined at the discretion of the Compensation Committee, which may consider an individual's performance during the period. For additional information, please refer to the section titled "Executive Compensation Compensation Discussion and Analysis Key Elements of Executive Compensation Incentive Compensation Plan" following this table. Actual 2017 incentive compensation plan payouts are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (2) The threshold amounts shown illustrate the smallest payout that can be made under the 2017 incentive compensation plan if all of the pre-established performance objectives are achieved at the minimum achievement level. The target amounts shown are the payouts that can be made if all of the pre-established performance objectives have been achieved at the target achievement level and, as noted in footnote (1), correlate to the pre-established target awards as a percentage of base salary. The maximum amounts shown are the greatest payout that can be made if all of the pre-established maximum performance objectives are achieved or exceeded at the outperform achievement levels and all potential bonus points under the 2017 incentive compensation plan were earned. Actual awards may be more or less than these amounts and, as noted in footnote (1), are at the discretion of the Compensation Committee. For additional information, please refer to the section titled "Executive Compensation Compensation Discussion and Analysis Key Elements of Executive Compensation Incentive Compensation Plan" following this table.
- (3) Awards listed in this column granted in July 2017 represent RSUs that will vest in equal installments on each of the first four anniversaries of the grant date. Vesting of the RSUs is subject to acceleration under the circumstances described under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements" below.
- (4) Represents the aggregate fair value of stock and option awards computed as of the grant date of each RSU or option award in accordance with ASC 718, rather than amounts paid to or realized by the named individual. There can be no assurance that options will be exercised (in which case no value will be realized by the individual), that the value on exercise of options will approximate the compensation expense we recognized, or that the price of our common stock when RSUs vest will equal or exceed the price of our common stock on the date of the applicable RSU award.
- (5) Options become exercisable as to one-fourth of the shares on July 15, 2017, with the remaining shares vesting ratably each month thereafter over the following three years, and have a term of ten years, subject to earlier termination in certain events relating to termination of employment. Vesting of the options is subject to acceleration under the circumstances described under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements" below.

Table of Contents

Executive Compensation

- (6) Options become exercisable as to all of the shares on the fourth anniversary of the grant date, and have a term of ten years, subject to earlier termination in certain events relating to termination of employment. Vesting of the options is subject to acceleration under the circumstances described under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements" below.
- (7) Options become exercisable as to one-fourth of the shares on the first anniversary of the grant date, with the remaining shares vesting ratably each month thereafter over the following three years, and have a term of ten years, subject to earlier termination in certain events relating to termination of employment. Vesting of the options is subject to acceleration under the circumstances described under "Employment Contracts, Termination of Employment and Change-in-Control Arrangements" below.

Salary

The annual salaries of the named executive officers are reflected under the Salary column of the Summary Compensation Table. The Compensation Committee reviews salaries on an annual basis, and may change each executive officer's salary based on the individual's contributions and responsibilities over the prior twelve months and any change in comparable company pay levels. In January 2017, the Compensation Committee set the 2017 base salaries for our executive officers. Salary compensation is discussed in greater detail under the heading "Executive Compensation Compensation Discussion and Analysis."

Incentive Compensation

All named executive officers received a bonus for the 2017 fiscal year under our discretionary 2017 incentive compensation plan. This bonus is reflected under the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table because the bonus is tied to the corporate performance of the Company. The plan established cash incentive awards for all of our eligible employees for 2017, and was designed to align incentive awards for each participant's individual performance with our corporate goals. Incentive awards for our executive officers were approved by the Compensation Committee in January 2017 and paid in March 2017 pursuant to this plan. Our executive officers each had a funding target under the plan, with the potential for actual awards under the plan to either exceed or be less than such funding target depending upon corporate performance, as well as each executive officer's individual performance. The range of the 2017 awards at the time of establishment of the plan is set forth under the Estimated Future Payouts Under Non-Equity Incentive Plan Awards column to the Grants of Plan-Based Awards Table. Actual incentive award amounts paid to named executive officers for 2017 pursuant to this plan were based on the achievement of corporate goals that were predetermined by the Compensation Committee, as described in greater detail under the heading "Executive Compensation Compensation Discussion and Analysis," and is disclosed in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

In January 2017 and July 2017, all named executive officers received grants of options to purchase common stock and RSUs and, in January 2017, certain named executive officers also received special option grants. As described in greater detail under the heading "Executive Compensation Compensation Discussion and Analysis," the special option grants were intended to incentivize and retain the recipients of those grants. The numbers and grant date fair values of these awards under ASC 718 are set forth in the Grants of Plan-Based Awards Table. The exercise price for options awarded in 2017 was the fair market value of our common stock on the grant date. The options awarded in January 2017 under our July 2016 revised equity grant guidelines will generally vest and become exercisable as to one-fourth of the shares on the first anniversary of the July 2016 grant date, with the remaining shares vesting ratably each month thereafter over the following three years. The options awarded in July 2017 will generally vest and become exercisable as to one-fourth of the shares on the first anniversary of the grant date, with the remaining shares vesting ratably each month thereafter over the following three years. The special option grants awarded in January 2017 will vest and become exercisable as to all of the shares on the fourth

Table of Contents

Executive Compensation

anniversary of the grant date. The options awarded in January 2017 and in July 2017, and special option grants, have a term of ten years from the grant date.

The amounts, if any, actually realized by the named executive officers for the 2017 awards will vary depending on the vesting of the award and the price of our common stock in relation to the exercise price at the time of exercise. Detail regarding the number of exercisable and unexercisable options held by each named executive officer at year-end is set forth in the Outstanding Equity Awards at Fiscal Year-End Table.

Compensation Risk Assessment

The Compensation Committee, in consultation with the Company's executive management, reviewed the Company's compensation policies and practices for its employees and concluded that risks arising from those policies and practices are not reasonably likely to have a material adverse effect on the Company.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

In April 2014, the Compensation Committee and Management Stock Option Committee approved amendments to outstanding employee stock option and RSU agreements and to the forms of agreements for future employee stock option and RSU agreement to provide that, in the event of a change in control of the Company, (i) if the successor corporation does not assume or substitute comparable awards for all outstanding employee options and RSUs, then as of the date of completion of the change in control transaction, the vesting of such options and RSUs shall be accelerated in full, and (ii) if outstanding options and RSUs are assumed or replaced by comparable awards by the successor corporation and within one year after the change in control, an equity awardee's service as an employee is terminated without cause or due to constructive termination, then the vesting of such person's assumed or substituted options and RSUs shall be accelerated in full. The value of such acceleration in full for each Named Executive Officer, assuming such termination or event was effective as of December 31, 2017, is set forth in the table below under the heading "Potential Payments Upon Termination in Connection with a Change in Control."

President and CEO

In connection with his appointment as President and CEO in January 2014, Mr. Hoppenot and the Company entered into an offer of employment letter and an employment agreement.

Pursuant to the offer letter, Mr. Hoppenot was entitled to an initial base salary of \$800,000 and participated in the Company's annual incentive compensation plan with a funding target for a cash bonus under such plan of 100% of his annual base salary and a minimum bonus for 2014 of \$800,000. Mr. Hoppenot's base salary is reviewed annually by the Compensation Committee. Future bonuses under the incentive compensation plan will be determined by the Compensation Committee in its discretion based on the achievement of performance goals to be determined annually by the Board or, as applicable, the Committee. Pursuant to the offer letter, Mr. Hoppenot also received a signing bonus of \$2,200,000, one quarter of which was paid upon commencement of employment and the remainder of which was paid in equal installments on the first day of each of the second, third and fourth calendar quarters of 2014. Except as otherwise provided in his employment agreement, Mr. Hoppenot must have remained employed by the Company through the first calendar day of each such quarter in order to receive the respective quarterly portion of the signing bonus.

Table of Contents

Executive Compensation

Mr. Hoppenot received an initial award in January 2014 of options to purchase 124,148 shares of common stock and 17,428 performance shares under the Company's 2010 Stock Incentive Plan with an aggregate value as of the grant date equal to \$4,500,000, determined under generally accepted accounting principles consistent with the valuation of the Company's equity incentives. Mr. Hoppenot will be eligible to receive future annual equity awards as determined by the Compensation Committee, and all such equity awards, including the initial award, will be subject to vesting or attainment of performance criteria, as applicable, at the same levels as apply to awards of the same type granted to the Company's other senior executives for the same fiscal year. Mr. Hoppenot also received in January 2014 a one-time grant of 400,000 RSUs. Each RSU represents the right to acquire one share of the Company's common stock. Vesting of the RSUs will be subject to Mr. Hoppenot's continued employment on the applicable vesting dates, with one-sixth of the RSUs vesting at the end of each of the calendar years 2014 through 2019, subject to earlier acceleration of vesting upon the occurrence of certain events in accordance with the terms of his employment agreement.

Termination Without Good Reason Prior to a Change in Control. If Mr. Hoppenot voluntarily terminates his employment with the Company other than for good reason and other than in the 24-month period following a change in control (the "Change in Control Employment Period"), the Company will pay Mr. Hoppenot, to the extent not already paid, his annual base salary through the date of termination, any deferred compensation and any accrued vacation pay.

Termination Without Good Reason in Connection with a Change in Control. If Mr. Hoppenot terminates his employment with the Company without good reason during the Change in Control Employment Period, the Company will pay Mr. Hoppenot, to the extent not already paid, his annual base salary through the date of termination, any deferred compensation, any accrued vacation pay, and an amount equal to a pro rata portion of his target bonus calculated according to the number of days he worked through the date of termination in the current fiscal year.

Termination Without Cause or for Good Reason Not in Connection with a Change in Control. If, at any time other than during the Change in Control Employment Period, Mr. Hoppenot's employment is terminated by the Company without cause or by Mr. Hoppenot for good reason, the Company will pay Mr. Hoppenot, to the extent not already paid, his annual base salary through the date of termination, his signing bonus, any deferred compensation, any accrued vacation pay, and an amount equal to a pro rata portion of his target bonus calculated according to the number of days he worked through the date of termination in the current fiscal year. In addition, the Company will pay him an amount equal to the sum of 1.5 times his annual base salary and the greater of his current target bonus or his bonus amount for the preceding fiscal year. The agreement also provides that Mr. Hoppenot's stock options and RSUs (other than his one-time grant of 400,000 RSUs) will vest as to the amount that would have vested had he continued to work for the Company for an additional 18 months. All options would continue to be exercisable for 180 days following the date of termination. In addition, the agreement provides that the 400,000 RSUs granted in connection with joining the Company will vest as to 100% of the amount that would have vested had he continued to work for the Company for an additional 12 months and vest as to 50% of the amount that would have vested had he continued to work for the Company for an additional 12 months subsequent to the initial 12 months after the date of termination. The agreement also provides for the payment of COBRA premiums by the Company, or the cash equivalent thereof, for Mr. Hoppenot and his family for up to 12 months, outplacement services for up to 12 months, as well as payment with respect to any other accrued amounts under other of the Company's benefits arrangements.

Table of Contents**Executive Compensation**

Termination in Connection with a Change in Control Without Cause or for Good Reason. If during the Change in Control Employment Period Mr. Hoppenot's employment is terminated by the Company without cause or by Mr. Hoppenot for good reason, the Company will pay Mr. Hoppenot, to the extent not already paid, his annual base salary through the date of termination, his signing bonus, any deferred compensation, any accrued vacation pay, and an amount equal to a pro rata portion of his target bonus calculated according to the number of days he worked through the date of termination in the current fiscal year. In addition, the Company will pay him an amount equal to three times the sum of his current annual base salary and the greater of his current target bonus or his bonus amount for the preceding fiscal year. The agreement also provides that in the event of such a termination, all of Mr. Hoppenot's unvested RSUs and unvested stock options will vest in full, and all stock options will remain exercisable for 12 months following his termination. In addition, all performance shares will vest in full and be settled assuming the target level of performance has been achieved. The agreement also provides for the continuation of benefits for Mr. Hoppenot and his family for up to 36 months, outplacement services for up to 12 months, as well as payment with respect to any other accrued amounts under other of the Company's benefits arrangements.

Life Insurance and Disability Insurance Coverage. When Mr. Hoppenot became our CEO in January 2014, after being recruited by our Board, he forfeited certain equity based awards with his previous employer that had provided for an acceleration of vesting of a majority of the awards in the event of his death or permanent disability. Our one-time grant of 400,000 RSUs to Mr. Hoppenot, described above, does not contain a similar provision. To provide Mr. Hoppenot with similar economic value commensurate with the equity based awards he had forfeited in order to join us, we agreed in Mr. Hoppenot's employment agreement to pay the premiums for an insurance policy that will remain in place for the six-year period that commenced on the first day of his employment that will pay \$15 million to Mr. Hoppenot upon termination of his employment for disability or his estate on his death. The six-year period for the life and disability insurance is the same vesting period for the 400,000 RSUs. Mr. Hoppenot's initial employment agreement also required us to gross-up each premium amount so that the total payment made by us was sufficient to cover the premiums and all federal, state and local income taxes incurred by Mr. Hoppenot. In April 2015, we amended Mr. Hoppenot's employment agreement so that we would no longer be required to gross-up each premium amount to cover taxes incurred by Mr. Hoppenot.

Other Covenants. Under the agreement, Mr. Hoppenot is subject to non-solicitation/non-hiring and non-disparagement covenants that extend two years from termination of employment. Upon certain breaches of those covenants after termination of employment, Mr. Hoppenot must forfeit all of his unvested stock options, stock appreciation rights, restricted stock units, performance shares, and the gain or income realized from the exercise, vesting or settlement of the same within 24 months prior to the breach.

Agreements with Other Named Executive Officers

In November 2003, our Board approved a form of employment agreement for Executive Vice Presidents and certain other senior employees. The form of employment agreement for the Executive Vice Presidents and certain other senior employees was amended in December 2008 to comply with Section 409A of the Internal Revenue Code of 1986, as amended. In April 2012, the employment agreements with our Executive Vice Presidents and certain other senior employees were amended to increase the amount payable upon an "involuntary termination" of the executive's employment within 24 months following a change in control. The Company entered into an employment agreement with Reid M. Huber in May 2011, Steven H. Stein in March 2015 and

Table of Contents**Executive Compensation**

Wenqing Yao in November 2003 while each served as one of our senior employees. The Company entered into an employment agreement with David W. Gryska in October 2014 upon his employment as Executive Vice President and Chief Financial Officer.

The employment agreements with our Executive Vice Presidents provide that in the event of an "involuntary termination" of the executive's employment within 24 months following a change in control (which includes actual termination without cause and constructive termination by way of the assignment of duties substantially and materially inconsistent with the executive's position or other diminishment in position, requiring the executive to be based at any location outside more than 35 miles from the office or location where he or she was based prior to a change in control, a reduction in salary, bonus or adverse change in benefits, or a breach by the Company of the terms of the executive's employment arrangement), we will pay the executive an amount equal to two times the sum of the executive's current annual base salary and the greater of (1) the executive's current target bonus or (2) the executive's bonus amount for the preceding fiscal year. A "change in control" generally includes a significant change in the composition of the Board, the acquisition by any person or entity of greater than 50% of the combined voting power of the Company's outstanding securities, the approval of a liquidation or dissolution of the Company, or the sale or disposition of all or substantially all of the Company's assets or similar transaction. We will also pay the executive a pro rata portion of the executive's target bonus calculated according to the number of days the executive worked through the termination date in the current fiscal year. The cash payment would be paid in a lump sum payment following the executive's termination. The agreement also provides that in the event of such a termination, all of the executive's unvested stock options will vest in full, and all stock options will be exercisable for 12 months following the executive's termination. In addition, the agreement provides for the reimbursement of COBRA premiums by the Company for the executive and eligible dependents for up to 12 months, reimbursement (or payment) by the Company for the cost of continued life and disability insurance for the executive for 12 months at the same levels in effect on the termination date, as well as payment with respect to any other accrued amounts under other of the Company's benefits arrangements.

Potential Payments Upon Termination without a Change in Control

The following table describes the potential payments and benefits triggered by a termination of employment of a named executive officer by the Company without cause, or by the executive for good reason, in each case prior to a change in control and assuming the employment of the named executive officer was terminated on December 31, 2017.

Hervé Hoppenot					
Termination without cause	4,115,320	29,447	11,684,616	210,125	16,039,508

- (1) Represents the amount by which the \$94.71 closing price of our common stock on December 29, 2017 exceeded the exercise price for equity awards for which vesting would have accelerated as a result of termination of employment.
- (2) Includes accrued amounts under other of the Company's benefits arrangements, including accrued vacation and other vested benefits the named executive officer is entitled to receive that are generally available to all salaried employees.

Potential Payments Upon Termination in Connection with a Change in Control

The following table describes the potential payments and benefits triggered by a termination of employment of a named executive officer in connection with a change in control, by the

Table of Contents

Executive Compensation

Company without cause or by the executive for good reason, in each case assuming the employment of the named executive officer was terminated on December 31, 2017.

Hervé Hoppenot

Termination without
cause or for good
reason(3)

7,262,440	96,219	18,214,971	210,125	25,783,755
-----------	--------	------------	---------	------------

David W. Gryska

Termination without
cause or for good
reason(3)

2,091,722	20,998	1,408,198	15,357	3,536,275
-----------	--------	-----------	--------	-----------

Steven H. Stein

Termination without
cause or for good
reason(3)

1,719,866	6,276	1,746,363	18,269	3,490,774
-----------	-------	-----------	--------	-----------

Reid M. Huber

Termination without
cause or for good
reason(3)

1,812,960	34,120	2,053,198	44,686	3,944,964
-----------	--------	-----------	--------	-----------

Wenqing Yao

Termination without
cause or for good
reason(3)

1,641,860	30,927	1,838,198	42,404	3,553,389
-----------	--------	-----------	--------	-----------

(1)

Represents the amount by which the \$94.71 closing price of our common stock on December 29, 2017 exceeded the exercise price for stock options for which vesting would have accelerated as a result of termination of employment and \$94.71 multiplied by the number of restricted stock units for which vesting would have accelerated as a result of termination of employment.

(2)

Includes accrued amounts under other of the Company's benefits arrangements, including accrued vacation and other vested benefits the named executive officer is entitled to receive that are generally available to all salaried employees.

(3)

Includes constructive termination following a change in control. See the section entitled "Agreements with Other Named Executive Officers" above.

Table of Contents

Executive Compensation

2017 Outstanding Equity Awards at Fiscal Year-End

2017					13,679(3)	1,295,538
2017		47,168	128.34	7/4/2027		
2017	26,294	47,951	113.64	1/16/2027		
2017		94,325	113.64	1/16/2027		
2016					16,203(3)	1,534,586
2016	26,294	47,951	83.83	7/14/2026		
2016					10,442(4)	988,962
2016		20,195	95.76	1/6/2023		
2016	48,004	27,134	95.76	1/6/2023		
2015					12,592(4)	1,192,588
2015	87,277	2,494	73.21	1/7/2022		
2014	124,148		64.55	1/20/2021		
2014					133,333(5)	12,627,968
						