

NetApp, Inc.  
Form PRE 14A  
July 20, 2018

**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 Pursuant to §240.14a-12

**NETAPP, INC.**

**(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) Total fee paid:

Fee paid previously with preliminary materials.

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:

**NETAPP, INC.**

**1395 Crossman Avenue**

**Sunnyvale, California 94089**

You are cordially invited to attend the Annual Meeting of Stockholders, and any adjournment, postponement or other delay thereof (the "Annual Meeting"), of NetApp, Inc., a Delaware corporation ("NetApp"), which will be held on Thursday, September 13, 2018 at 3:30 p.m. local time, at NetApp's headquarters, 1395 Crossman Avenue, Sunnyvale, California 94089. We are holding the Annual Meeting for the following purposes:

1. To elect the following individuals to serve as members of the Board of Directors until the 2019 Annual Meeting of Stockholders or until their respective successors are duly elected and qualified: T. Michael Nevens, Gerald Held, Kathryn M. Hill, Deborah L. Kerr, George Kurian, Scott F. Schenkel, George T. Shaheen and Richard P. Wallace;
2. To approve an amendment to NetApp's Amended and Restated 1999 Stock Option Plan to increase the share reserve by an additional 9,000,000 shares of common stock;
3. To approve an amendment to NetApp's Employee Stock Purchase Plan to increase the share reserve by an additional 2,000,000 shares of common stock;
4. To hold an advisory vote to approve Named Executive Officer compensation;
5. To ratify the appointment of Deloitte & Touche LLP as NetApp's independent registered public accounting firm for the fiscal year ending April 26, 2019;
6. To ratify the stockholder special meeting provisions in NetApp's bylaws; and
7. To transact such other business as may properly come before the Annual Meeting.

The foregoing items of business are more fully described in the Proxy Statement that accompanies this Notice of Annual Meeting of Stockholders. The Board of Directors has fixed the close of business on July 17, 2018, as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting.

In accordance with the rules and regulations of the Securities and Exchange Commission, we have elected to provide access to our proxy materials over the Internet. Accordingly, NetApp will mail, on or about July 24, 2018, a Notice of Internet Availability of Proxy Materials to its stockholders of record and beneficial owners. The Notice of Internet Availability of Proxy Materials will identify: (1) the website where our proxy materials will be made available; (2) the date, time and location of the Annual Meeting; (3) the matters to be acted upon at the Annual Meeting and the Board of Directors' recommendation with regard to each matter; (4) a toll-free telephone number, an e-mail address, and a website where stockholders can request a paper or e-mail copy of the Proxy Statement, (together with a form of proxy) and our Annual Report on Form 10-K; (5) instructions on how to vote your shares by proxy; and (6) information on how to obtain directions to attend the Annual Meeting and vote in person by ballot. All proxy materials will be available free of charge.

To assure your representation at the Annual Meeting, you are urged to cast your vote as instructed in the Notice of Internet Availability of Proxy Materials over the Internet or by telephone as promptly as possible. You may also request a paper proxy card to submit your vote by mail, if you prefer. Any stockholder of record attending the Annual Meeting may vote in person by ballot, even if such stockholder has previously voted over the Internet,

voted by telephone or returned a signed proxy card. Any beneficial owner who is not a stockholder of record will be required to show a legal proxy from such stockholder's bank, broker or other nominee in order to vote in person by ballot at the Annual Meeting.

Thank you for your interest in NetApp.

BY ORDER OF THE BOARD OF DIRECTORS,

*Chief Executive Officer and President*

Sunnyvale, California

August , 2018

**YOUR VOTE IS EXTREMELY IMPORTANT. TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, YOU ARE URGED TO VOTE BY TELEPHONE OR OVER THE INTERNET AS PROMPTLY AS POSSIBLE. ALTERNATIVELY, YOU MAY REQUEST A PAPER PROXY CARD, WHICH YOU SHOULD SIGN, DATE AND RETURN BY MAIL**

<u>PROXY SUMMARY</u>	1
<u>Voting Matters and Recommendation</u>	1
<u>Fiscal 2018 Business Highlights</u>	1
<u>Corporate Governance and Executive Compensation</u>	2
<u>Director Nominees</u>	2
<u>Corporate Governance and Executive Compensation Highlights</u>	2
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	3
<u>GENERAL INFORMATION</u>	5
<u>Why am I receiving these materials?</u>	5
<u>Why did I receive a Notice in the mail regarding the Internet availability of proxy materials?</u>	5
<u>Who can vote at the Annual Meeting?</u>	5
<u>When and where will the Annual Meeting take place?</u>	6
<u>How do I gain admittance to the Annual Meeting?</u>	6
<u>How many shares must be present to hold the Annual Meeting?</u>	6
<u>How many shares of NetApp common stock are entitled to vote at the Annual Meeting?</u>	6
<u>Who will count the votes?</u>	6
<u>How many votes are required for each proposal?</u>	6
<u>How do I vote?</u>	6
<u>How can I change my vote or revoke my proxy?</u>	7
<u>What are abstentions and broker non-votes?</u>	7
<u>How many copies of the proxy materials will be delivered to stockholders sharing the same address?</u>	7
<u>Where may I obtain a copy of the Annual Report?</u>	8
<u>Who pays for the solicitation of proxies?</u>	8
<u>How and when may I submit proposals for consideration at next year's Annual Meeting of Stockholders?</u>	8
<u>Proposals to be Considered for Inclusion in NetApp's Proxy Materials</u>	8
<u>Director Nominations for Inclusion in NetApp's Proxy Materials (Proxy Access)</u>	8
<u>Other Proposals and Nominations</u>	8
<u>OUR BOARD OF DIRECTORS</u>	10
<u>CORPORATE GOVERNANCE</u>	14
<u>Summary</u>	14
<u>Board Leadership Structure</u>	14
<u>Corporate Governance Guidelines</u>	14
<u>Strategy and Risk Oversight</u>	14
<u>Succession Planning</u>	15
<u>Independent Directors</u>	15
<u>Committees of the Board of Directors</u>	15
<u>Corporate Governance and Nominating Committee</u>	15
<u>Compensation Committee</u>	16





<u>Director Selection</u>	16
<u>Meetings and Committees of our Board of Directors</u>	18
<u>Stockholder Meeting Attendance for Directors</u>	19
<u>Code of Conduct</u>	19
<u>Political Contributions Policy</u>	19
<u>Personal Loans to Executive Officers and Directors</u>	19
<u>Stockholder Communications Policy</u>	19
<b><u>DIRECTOR COMPENSATION</u></b>	20
<u>Director Compensation Table</u>	20
<u>Summary of Director Compensation Policy</u>	21
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u></b>	24
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	26
<b><u>COMPENSATION DISCUSSION AND ANALYSIS</u></b>	27
<u>Executive Summary</u>	27
<u>Fiscal 2018 Company Performance</u>	27
<u>Total Stockholder Return Performance</u>	28
<u>Compensation Objectives and Key Fiscal 2018 Compensation Actions</u>	28
<u>Key Elements of Fiscal 2018 Compensation</u>	30
<u>Our Process for Determining and Administering Our Compensation Program</u>	31
<u>Say-on-Pay</u>	32
<u>Competitive Market Data</u>	32
<u>Pay Positioning</u>	33
<u>Components of Compensation</u>	33
<u>Base Salary</u>	33
<u>Executive ICP</u>	33
<u>Long-Term Stock-Based Incentive Compensation</u>	36
<u>Alignment of Performance and Compensation</u>	39
<u>Stock Ownership Guidelines</u>	41
<u>Recovery of Incentive-Based Compensation</u>	41
<u>Anti-Hedging and Anti-Pledging Policies</u>	41
<u>Other Compensation for NEOs</u>	42
<u>Severance and Change of Control Arrangements</u>	42
<u>Perquisites</u>	42
<u>Other Benefits and Reimbursements</u>	42
<u>Tax Deductibility of Compensation</u>	43
<b><u>COMPENSATION COMMITTEE REPORT</u></b>	44
<b><u>EXECUTIVE COMPENSATION AND RELATED INFORMATION</u></b>	45
<u>Summary Compensation Table</u>	45

<u>Grants of Plan-Based Awards</u>	47
<u>Outstanding Equity Awards at Fiscal Year End</u>	49

<u>Option Exercises and Stock Vested for Fiscal 2018</u>	50
<u>Nonqualified Deferred Compensation</u>	50
<u>Nonqualified Deferred Compensation for Fiscal 2018</u>	51
<u>Pension Benefits</u>	51
<u>TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL AGREEMENTS</u>	52
<u>Potential Payments upon Termination or Change of Control</u>	52
<u>Change of Control Severance Agreements</u>	52
<u>Term of Change of Control Severance Agreement</u>	52
<u>Circumstances Triggering Payment under Change of Control Severance Agreement</u>	52
<u>Timing and Form of Severance Payments under Change of Control Severance Agreement</u>	53
<u>Severance Payments Under Change of Control Severance Agreement</u>	53
<u>Conditions to Receipt of Severance under Change of Control Severance Agreement</u>	53
<u>Excise Tax under Change of Control Severance Agreement</u>	54
<u>Definitions Contained in Change of Control Severance Agreement</u>	54
<u>PBRsUs</u>	55
<u>Executive Medical Retirement Plan</u>	55
<u>Estimated Payments Upon Termination of Employment and/or a Change of Control</u>	56
<u>Equity Compensation Plan Information</u>	59
<u>PAY RATIO</u>	60
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	61
<u>CERTAIN TRANSACTIONS WITH RELATED PARTIES</u>	61
<u>AUDIT COMMITTEE REPORT</u>	62
<u>MANAGEMENT PROPOSALS</u>	63
<u>Proposal Number 1: Election of Directors</u>	63
<u>Proposal Number 2: Amendment to the Company's Amended and Restated 1999 Stock Option Plan</u>	64
<u>Proposal Number 3: Amendment to the Company's Employee Stock Purchase Plan</u>	75
<u>Proposal Number 4: Advisory Vote to Approve Named Executive Officer Compensation ( Say-On-Pay )</u>	81
<u>Proposal Number 5: Ratification of Independent Registered Public Accounting Firm</u>	83
<u>Proposal Number 6: Proposal for Ratification of the Stockholder Special Meeting Provisions in the Company's Bylaws</u>	85
<u>OTHER BUSINESS</u>	87
<u>Annex A</u>	A-1
<u>Non-GAAP Financial Measures</u>	A-2
<u>Appendix A</u>	A-1
<u>Appendix B</u>	B-1
<u>Appendix C</u>	C-1

This summary highlights information contained within this Proxy Statement. It does not contain all the information found in this Proxy Statement and is qualified in its entirety by the remainder of this Proxy Statement. You should read the entire Proxy Statement carefully and consider all information before voting. Page references are supplied to help you find further information in this Proxy Statement.

### **Voting Matters and Recommendation**

<b>Voting Matter</b>	<b>Board Vote Recommendation</b>	<b>Page</b>
<b>Election of eight director nominees</b>	FOR each nominee	63
<b>Approval of an amendment to NetApp's Amended and Restated 1999 Stock Option Plan</b>	FOR	64
<b>Approval of an amendment to NetApp's Employee Stock Purchase Plan</b>	FOR	75
<b>Advisory approval of our executive compensation</b>	FOR	81
<b>Ratification of appointment of independent registered public accounting firm</b>	FOR	83

**Ratification of the stockholder special  
meeting provisions in NetApp's bylaws**

FOR

85

***Fiscal 2018 Business Highlights***

In fiscal 2018, NetApp generated \$5.9 billion in net revenues. GAAP net income for fiscal 2018 was \$76 million, or \$0.28 per share,<sup>1</sup> and was impacted by a one-time charge of approximately \$850 million primarily as a result of the one-time mandatory transition tax on accumulated foreign earnings required under the 2017 Tax Reform Reconciliation Act. Non-GAAP net income in fiscal 2018 was \$957 million, or \$3.47 per share.<sup>2</sup> Over the course of the year, we generated \$1.48 billion in cash flows from operations. We also returned approximately \$1.01 billion to stockholders, comprised of approximately \$794 million through share repurchases and \$214 million through dividends. Through share repurchases and dividends, we have returned approximately \$6.5 billion to stockholders since May 2013.

<sup>1</sup> GAAP earnings per share is calculated using the diluted number of shares for the period presented. A reconciliation of non-GAAP to GAAP results can be found in Annex A.

<sup>2</sup> Non-GAAP earnings per share is calculated using the diluted number of shares for the period presented. A reconciliation of non-GAAP to GAAP results can be found in Annex A.

In fiscal 2018, NetApp continued to advance its Data Fabric Strategy. In a world where technology is changing our everyday lives, digital transformation remains top of mind for executives. When successful in their digital transformation, organizations use technology to create new customer touchpoints, reinventing customer experiences and relationships through business-oriented approaches to data. Additionally, organizations are able to create innovative business opportunities, taking advantage of emerging market opportunities by rapidly deploying new technologies, optimizing operations and adopting an operating model that provides efficiencies and funds new innovation. NetApp delivers a Data Fabric built for the data-driven world. Our Data Fabric simplifies and integrates data management across Clouds and On-premises to accelerate digital transformation, enabling our customers to manage, secure and protect their data at the scale needed to accommodate the exponential data growth of the digital world. The Data Fabric delivers integrated data management services and applications for data visibility and insights, data access and control, and data protection and security. By coupling the strength of our Data Fabric strategy and the benefits we deliver to customers with a more efficient and agile business, we believe that we can generate long-term value for stockholders.

See also the *Fiscal 2018 Company Performance* section within our *Compensation Discussion and Analysis* on page 27 of this Proxy Statement. Detailed information on our products and our financial performance can be found in our Annual Report on 10-K for the year ended April 27, 2018.

### *Corporate Governance and Executive Compensation*

#### **Director Nominees**

Name of Nominee	Age	Director Since	Independent	NetApp Committee
				Memberships
<b>T. Michael Nevens*</b>	68	2009	Yes	Audit, Corporate Governance and Nominating (Chair)
<b>Gerald Held</b>	70	2009	Yes	Compensation
<b>Kathryn M. Hill</b>	61	2013	Yes	Compensation (Chair), Corporate Governance and Nominating
<b>Deborah L. Kerr</b>	46	2017	Yes	Audit

**George Kurian**

51

2015

No

Audit

**Scott F. Schenkel**

50

2017

Yes

Compensation

**George T. Shaheen**

74

2004

Yes

Compensation

**Richard P. Wallace**

58

2011

Yes

\* Chairman of the Board

Audit Committee Financial Expert

### **Corporate Governance and Executive Compensation Highlights**

We are committed to good corporate governance, which promotes the long-term interests of our stockholders and strengthens our Board and management accountability. Our executive compensation program is designed to hold our executives accountable for results over the long-term and reward them for consistently strong

corporate performance. Since the 2017 Annual Meeting of Stockholders ( 2017 Annual Meeting ), in response to feedback from our stockholders, we adopted proxy access bylaws and agreed to share diversity data on our website, which we will update annually. We also adopted bylaw provisions providing stockholders holding at least 25% of the outstanding stock of the Company the right to request special stockholder meetings, which we are asking stockholders to ratify in the Annual Meeting.

Governance and executive compensation highlights include:

Other than the Chief Executive Officer, our Board comprises all independent directors (8 out of 9 directors);

Separation of the roles of Chairman and Chief Executive Officer;

Four new directors joined the Board in the last five years;

Increased board diversity;

Majority voting in the uncontested election of directors;

Each director is required to submit an irrevocable, conditional resignation effective only upon both (1) the failure to receive the required vote for reelection and (2) our Board's acceptance of such resignation;

Three active standing Board committees with 100% independent members;

Proxy access bylaws;

Stockholder right to call special meeting;

Performance-based equity compensation;

Annual say-on-pay vote;

Director and executive stock ownership guidelines;

Anti-hedging and anti-pledging policies;



Compensation clawback policy;

Diversity data posted on Company website;

Board involvement in setting long-term corporate strategy;

Board oversight of risk management, including financial, operational, strategic, privacy, data security, legal and regulatory risks;

Annual Board and Board committee self-evaluations;

Annual assessment of director compensation; and

Robust Code of Conduct.