

ONE Gas, Inc.
Form DEF 14A
April 05, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14A 101)
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Definitive Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule
14a-6(e)(2))
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

ONE Gas, 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.

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NOTICE OF
ANNUAL MEETING
AND PROXY STATEMENT



Annual Meeting of Shareholders

Thursday, May 25, 2017

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MISSION

We deliver natural gas for a better tomorrow.

VISION

To be a premier natural gas distribution company creating exceptional value for our stakeholders.

STRATEGY

Becoming ONE:

ONE in Responsibility safety, reliability and compliance

ONE in Value employees, shareholders, customers and communities

ONE in Industry recognized leader, processes and productivity

CORE VALUES

Safety: We are committed to operating safely and in an environmentally responsible manner.

Inclusion and Diversity: We embrace and promote diversity and collaboration; every employee makes a difference and contributes to our success.

Ethics: We are accountable to the highest ethical standards; honesty, trust and integrity matter.

Service: We set a standard of exceptional service and make continuous improvements in our pursuit of excellence.

Value: We create value for all stakeholders, including our employees, customers, investors and communities.

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April 5, 2017

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of ONE Gas, Inc., which will be held at 9:00 a.m. Central Daylight Time on Thursday, May 25, 2017, at our company headquarters at ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2nd Floor, Tulsa, Oklahoma 74103.

The matters to be considered and voted on at the meeting are set forth in the attached notice of annual meeting of shareholders and are described in the attached proxy statement. A copy of our 2016 annual report to shareholders is also enclosed. A report on our 2016 performance will be presented at the meeting.

We look forward to greeting as many of our shareholders as possible at the annual meeting. We know, however, that most of our shareholders will be unable to attend. Therefore, proxies are being solicited so that each shareholder has an opportunity to vote by proxy. You can authorize a proxy over the Internet or by telephone. Instructions for using these convenient services are included in the proxy statement and on the proxy card. Of course, if you prefer, you may vote by mail by signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope.

If your shares are held by a broker, bank or other holder of record, unless you provide your broker, bank or other holder of record with your instructions on how to vote your shares, your shares will not be voted in the election of directors or in certain other important proposals as described in the accompanying proxy statement. Consequently, please provide your voting instructions to your broker, bank or other holder of record in a timely manner in order to ensure that your shares will be voted.

Regardless of the number of shares you own, your vote is important. I urge you to submit your proxy as soon as possible so that you can be sure your shares will be voted.

Thank you for your investment in ONE Gas and for your continued support.

Very truly yours,

John W. Gibson

Chairman of the Board

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ONE GAS, INC.

NOTICE OF 2017 ANNUAL MEETING OF SHAREHOLDERS

Time and date: May 25, 2017, at 9:00 a.m. Central Daylight Time

Place: ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2nd Floor, Tulsa, Oklahoma 74103

Items of business:

- (1) To consider and vote on the election of Class III director nominees named in the accompanying proxy statement to serve on our Board of Directors for a three-year term;
- (2) To consider and vote on the ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of ONE Gas, Inc. for the year ending December 31, 2017;
- (3) To consider and vote on our executive compensation on a non-binding, advisory basis;
- (4) To consider and vote on the material terms of our Annual Officer Incentive Plan for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code); and
- (5) To consider and vote on such other business as may come properly before the meeting, or any adjournment or postponement of the meeting.

These matters are described more fully in the accompanying proxy statement.

Record date: March 27, 2017. Only shareholders of record at the close of business on the record date are entitled to receive notice of, and to vote at, the annual meeting.

Proxy voting:

YOUR VOTE IS IMPORTANT

The vote of every shareholder is important. The Board appreciates the cooperation of shareholders in directing proxies to vote at the meeting. To make it easier for you to vote, Internet and telephone voting are available. The instructions in the accompanying proxy statement and attached to your proxy card describe how to use these convenient voting methods. Of course, if you prefer, you may vote by mail by completing your proxy card and returning it in the enclosed postage-paid envelope. You may revoke your proxy at any time by following the procedures set forth in the accompanying proxy statement.

Whether or not you expect to attend the meeting in person, we urge you to vote your shares at your earliest convenience. This will ensure the presence of a quorum at the meeting. Voting your shares promptly, via the Internet, by telephone, or by signing, dating and returning the enclosed proxy card will save the expense of additional solicitation. Submitting your proxy now will not prevent you from voting your shares at the meeting, if you desire to do so, as your proxy is revocable at your option.

Important Notice Regarding Internet Availability of Proxy Materials: This notice of annual meeting, proxy statement, form of proxy and our 2016 annual report to shareholders are available on our website at www.ONEGas.com. Additionally, and in accordance with the rules of the Securities and Exchange Commission, you may access this proxy statement and our 2016 annual report at <http://shareholder.onegas.com>, which does not infringe on the anonymity of a person accessing such website. The website does not employ cookies or other user-tracking features.

By order of the Board,

Brian K. Shore

Corporate Secretary

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Tulsa, Oklahoma

April 5, 2017

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ONE Gas, Inc.

First Place Tower

15 E. Fifth Street

Tulsa, OK 74103

PROXY STATEMENT

This proxy statement describes important issues affecting our company and is furnished in connection with the solicitation of proxies by our Board for use at our 2017 annual meeting of shareholders to be held at the time and place set forth in the accompanying notice. The approximate date of the mailing of this proxy statement and accompanying proxy card is April 5, 2017.

Unless we otherwise indicate or unless the context indicates otherwise, all references in this proxy statement to ONE Gas , we, our, us, the company or similar references mean ONE Gas, Inc. and its subsidiary, references to ONEOK mean ONEOK, Inc. and its subsidiaries, and references to the Board or Board of Directors mean the Board of Directors of ONE Gas, Inc.

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SUMMARY PROXY INFORMATION

To assist you in reviewing the company's 2016 performance and voting your shares, we would like to call your attention to key elements of our 2017 proxy statement and our 2016 annual report to shareholders. The following is only a summary. For more complete information about these topics, please review the complete proxy statement and our 2016 annual report to shareholders.

PROXY STATEMENT SUMMARY

The following summary provides highlights contained in this proxy statement. You should carefully read and consider the information contained in the proxy statement as this summary does not contain all the information you should consider before voting.

INFORMATION ABOUT THE ANNUAL MEETING OF SHAREHOLDERS

Date: Thursday, May 25, 2017

Time: 9:00 a.m., Central Daylight Time

Place: ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2nd Floor, Tulsa, Oklahoma 74103

ITEMS OF BUSINESS

Election of two Class III director nominees to serve until 2020

Ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2017

Approval, on a non-binding, advisory basis, of our executive compensation

Approval of the material terms of our Annual Officer Incentive Plan for purposes of Section 162(m) of the Internal Revenue Code

Other business as may come properly before the meeting, or any adjournment or postponement of the meeting

RECORD DATE

March 27, 2017

INTERNET ACCESS TO PROXY MATERIALS

Please visit <http://shareholder.onegas.com> for online access to our proxy materials including this proxy statement and the company's 2016 annual report.

HOW TO VOTE IF YOU ARE A SHAREHOLDER OF RECORD

Via the Internet

Go to the website at www.proxypush.com/ogs which is available 24 hours a day, 7 days a week, until 11:59 p.m. (Central Daylight Time) on May 24, 2017.

Enter the control number that appears on your proxy card. This process is designed to verify that you are a shareholder, and allows you to vote your shares and confirm that your instructions have been properly recorded.

Follow the simple instructions.

If you appoint a proxy via the Internet, you do not have to return your proxy card.
By mail

Mark your selections on the proxy card.

Date and sign your name exactly as it appears on your proxy card.

Mail the proxy card in the enclosed postage-paid envelope.

If mailed, your completed and signed proxy card must be received prior to the commencement of voting at the annual meeting.

By telephone

On a touch-tone telephone, call toll-free 1.866.883.3382, 24 hours a day, 7 days a week, until 11:59 p.m. (Central Daylight Time) on May 24, 2017.

Enter the control number that appears on your proxy card. This process is designed to verify that you are a shareholder, and allows you to vote your shares and confirm that your instructions have been properly recorded.

Follow the simple recorded instructions.

If you appoint a proxy by telephone, you do not have to return your proxy card.

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HOW TO VOTE IF YOUR SHARES ARE HELD BY A BROKER OR BANK

This proxy statement and our 2016 annual report to shareholders should have been forwarded to you by your bank, broker or its nominee, together with a voting instruction card. You have the right to direct your bank, broker or its nominee how to vote your shares by using the voting instruction card you received from your bank, broker or its nominee, or by following any instructions provided by your bank, broker or its nominee for voting via the Internet or telephone.

SHAREHOLDER ACTIONS MATTERS TO BE VOTED UPON

Election of Class III Directors (Proposal 1). You will find in this proxy statement important information about the qualifications and experience of each of the Class III director nominees, each of whom is a current director. The Corporate Governance Committee performs an annual assessment of the performance of the Board to ensure that our directors have the skills and experience to effectively oversee our company. All of our directors have proven leadership, sound judgment, integrity and a commitment to the success of our company, and our Board recommends that shareholders **vote in favor** of each nominee for re-election.

Ratification of our Independent Registered Public Accounting Firm (Proposal 2). You will also find in this proxy statement important information about our independent registered public accounting firm, PricewaterhouseCoopers LLP. We believe PricewaterhouseCoopers LLP continues to provide high-quality service to our company, and our Board recommends that shareholders **vote in favor** of ratification.

Advisory Vote on Executive Compensation (Proposal 3). Our shareholders have the opportunity to cast a non-binding, advisory vote on our executive compensation program. In evaluating this say on pay proposal, we recommend that you review our Compensation Discussion and Analysis in this proxy statement, which explains how and why the Executive Compensation Committee and our Board arrived at decisions with respect to our 2016 executive compensation. Our Board recommends that shareholders **vote in favor** of our executive compensation program.

Approval of the Material Terms of our Annual Officer Incentive Plan for Purposes of Section 162(m) of the Internal Revenue Code (Proposal 4). To facilitate the intended deductibility of compensation paid under our Annual Officer Incentive Plan under Section 162(m) of the Internal Revenue Code, which benefits both the company and our shareholders, we are seeking shareholder approval of the material terms of our Annual Officer Incentive Plan for purposes of complying with Section 162(m) of the Internal Revenue Code. The material terms of our Annual Officer Incentive Plan for purposes of Section 162(m) consist of: (i) the employees eligible to receive compensation, (ii) a description of the business criteria on which the performance goal is based, and (iii) the maximum amount of compensation that could be paid to any employee if the performance goal is attained, which are described in detail in the Summary of the Proposal in Proposal 4 below.

The sole effect of shareholder approval of the material terms of our Annual Officer Incentive Plan will be to facilitate the intended tax deductibility of compensation paid under the Annual Officer Incentive Plan in its current form. Whether or not shareholder approval of this proposal is obtained, we may or may not grant performance-based incentive awards to employees in the future pursuant to the Annual Officer Incentive Plan, which awards, if granted, may in certain instances not be fully tax deductible by the company. Our Board has determined that the proposal is in the best interests of our company and our shareholders and recommends that shareholders **vote in favor** of this proposal.

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Each of the proposals, how you may vote, and how the Board recommends that you vote, is set forth in the following table:

Proposal	How may I vote?	How does the Board recommend that I vote?	Page Reference
1. The election of the two Class III director nominees identified in this proxy statement, each for a three-year term.	You may vote FOR or AGAINST the approval of each of the two Class III director nominees, or you may indicate that you wish to ABSTAIN from voting on the matter.	The Board recommends that you vote FOR each of the two Class III director nominees.	22
2. The ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2017.	You may vote FOR or AGAINST the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2017, or you may indicate that you wish to ABSTAIN from voting on the matter.	The Board recommends that you vote FOR the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2017.	29
3. An advisory vote on executive compensation.	You may vote FOR or AGAINST the advisory vote on executive compensation, or you may indicate that you wish to ABSTAIN from voting on the matter.	The Board recommends that you vote FOR the approval, on an advisory basis, of the company's executive compensation.	59
4. The approval of the material terms of our Annual Officer Incentive Plan for purposes of Section 162(m) of the Internal Revenue Code.	You may vote FOR or AGAINST the approval of the material terms of our Annual Officer Incentive Plan for purposes of Section 162(m) of the Internal Revenue Code, or you may indicate that you wish to ABSTAIN from voting on the matter.	The Board recommends that you vote FOR the approval of the material terms of our Annual Officer Incentive Plan for purposes of Section 162(m) of the Internal Revenue Code.	61

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The votes required for each proposal is summarized below, together with how abstentions and broker non-votes will be treated for each proposal:

Proposal	Votes required for approval when quorum is present	Abstentions	Broker non-votes
1. The election of the two Class III director nominees identified in this proxy statement each for a three-year term.	Majority of the votes cast by the shareholders present in person or by proxy and entitled to vote	Do not count as votes cast	Do not count as votes cast and have no effect on the vote
2. The ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2017.	Affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote	Have the same effect as votes against this proposal	Voted at broker's discretion
3. An advisory vote on executive compensation.	Affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote	Have the same effect as votes against this proposal	Do not count as votes cast and have no effect on the vote
4. The approval of the material terms of our Annual Officer Incentive Plan for purposes of Section 162(m) of the Internal Revenue Code.	Affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote	Have the same effect as votes against this proposal	Do not count as votes cast and have no effect on the vote

Table of Contents**DIRECTOR NOMINEES AND CONTINUING DIRECTORS**

The following table summarizes information about the two Class III director nominees and the five continuing directors. As noted, five of our seven directors have been determined to be independent in accordance with the New York Stock Exchange (NYSE) independence standards and our director independence guidelines.

Director Nominees Class III

Name	Age	Director since	Occupation	Independent	Committee memberships/positions
Robert B. Evans	68	2014	Retired, President and Chief Executive Officer of Duke Energy Americas	Yes	B**, C, D
Michael G. Hutchinson	61	2014	Retired, partner at Deloitte & Touche	Yes	A, B*, C, D**

Continuing Directors

Name	Age	Director since	Class/ Term	Occupation	Independent	Committee memberships/positions
John W. Gibson	64	2014	I/2018	Retired, Chief Executive Officer of ONEOK, Inc.	No	A*
Pattye L. Moore	59	2014	I/2018	Chairman, Red Robin Gourmet Burgers	Yes	A, B, C*, D
Douglas H. Yaeger	68	2014	I/2018	Retired, Chairman, President and Chief Executive Officer of The Laclede Group, Inc. (now known as Spire Inc.)	Yes	B, C**, D
Pierce H. Norton II	57	2014	II/2019	President and Chief Executive Officer of ONE Gas, Inc.	No	A
Eduardo A. Rodriguez	61	2014	II/2019	President of Strategic Communications Consulting Group	Yes	A, B, C, D*

Committee memberships/positions key:

- A Executive Committee
- B Audit Committee
- C Executive Compensation Committee
- D Corporate Governance Committee
- * Committee chair
- ** Committee vice chair

BUSINESS HIGHLIGHTS

Financial Performance. 2016 operating income increased to \$269.1 million, compared with \$239.1 million in 2015, which reflects primarily new rates in Oklahoma and Texas and residential customer growth, offset partially by lower sales and transportation volumes due to warmer weather, and a slight increase in operating expenses.

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* We were a business unit of ONEOK prior to January 31, 2014, and for the years ended December 31, 2013 and 2012.

Dividend. During 2016, we paid cash dividends of \$1.40 per share. We paid total aggregate dividends to our shareholders of \$73.2 million in 2016. In January 2017, we declared a dividend of 42 cents per share (\$1.68 per share on an annualized basis), an increase of 7 cents per share compared with the previous cash dividend of 35 cents per share.

ONE Gas, Inc. Notice of 2017 Annual Meeting of Shareholders and Proxy Statement

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Total Shareholder Return. The market price of our common stock was \$63.96 per share at December 30, 2016, reflecting a total shareholder return (stock price appreciation and dividends) of 30.5 percent and an increase of 27.5 percent from the closing price of \$50.17 on December 31, 2015.

- 1 February 3, 2014 was the first day of regular way trading for ONE Gas, Inc. on the NYSE.
- 2 The ONE Gas peer group used in this graph is the same peer group that will be used in determining our level of performance under our 2016 performance units at the end of the three-year performance period and is comprised of the following companies: Alliant Energy Corporation; Atmos Energy Corporation; Avista Corporation; CMS Energy Corporation; New Jersey Resources Corporation; NiSource Inc.; Northwest Natural Gas Company; NorthWestern Corporation; South Jersey Industries, Inc.; Southwest Gas Corporation; Spire Inc.; Vectren Corporation; and WGL Holdings, Inc.

COMPENSATION HIGHLIGHTS

Compensation Philosophy. A principal feature of our compensation program is the determination of executive compensation by our Executive Compensation Committee (referred to as the Executive Compensation Committee or the Committee) and Board based on a comprehensive review of quantitative and qualitative factors designed to produce long-term business success. Our executive compensation program is designed to attract, motivate, reward and retain highly effective key executives who drive our success and who are leaders in the industry, to pay for performance and to align the long-term interests of our executive officers with those of our shareholders. We believe our program is designed effectively to meet or exceed our financial and operational performance goals, is well aligned with the interests of our shareholders and is instrumental to achieving our business goals. Our compensation philosophy and related governance features are complemented by several specific elements that are designed to achieve these objectives, as summarized below.

Program Design.

Our compensation program:

provides a competitive total pay opportunity;

establishes a pay mix that balances short- and long-term performance specifically consisting of significant equity-based (at-risk) compensation;

utilizes separate long-term and annual metrics to incentivize;

links a significant portion of total compensation to performance that we believe will create long-term shareholder value;

determines awards based on the executive officer's contributions to business performance;

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enhances retention by subjecting a significant portion of total compensation to multi-year vesting requirements;

does not encourage unnecessary or excessive risk taking;

rewards for accomplishing goals and also for how the goals are accomplished; and

restricts change in control cash benefits to double-trigger vesting.

We provide the following primary elements of compensation for our executive officers, including the named executive officers (NEOs) (as listed in the Compensation Discussion and Analysis at page 38): base salary, annual short-term cash incentive (STI) awards and long-term equity incentive (LTI) awards.

The Executive Compensation Committee references the median level of the market when determining all elements of compensation and targets the median level of total compensation.

Our STI program has a performance-based philosophy that provides for cash payments based on achievement of financial and operational goals established annually by our Executive Compensation Committee.

We encourage alignment of our executive officers' interests with those of our shareholders through the grant of LTI awards, of which approximately 80 percent are performance stock units (PSUs) and approximately 20 percent are restricted stock units (RSUs).

Our executive officers, including our NEOs, receive no significant perquisites or other personal benefits.

We do not provide any golden parachute excise tax gross-ups to our NEOs.

The Executive Compensation Committee makes all compensation decisions regarding our NEOs and submits those decisions to the full Board for ratification.

The Executive Compensation Committee is composed solely of persons who qualify as independent directors under the listing standards of the NYSE.

We have market-competitive stock ownership guidelines for our executive officers and our non-management directors which provides them with a significant stake in our long-term success and aligns their interest with shareholder interests.

We have adopted compensation recovery (clawback) provisions that permit the Committee to use appropriate discretion to seek recoupment of grants of PSUs (including any shares earned and the proceeds from any sale of such shares) and STI awards paid to an employee in the event that fraud, negligence or individual misconduct by such employee is determined to be a contributing factor to our having to restate all or a portion of our financial statements.

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Officers, members of our Board and certain employees designated as insiders under our Securities/Insider Trading Policy are prohibited from engaging in short sale and other derivative or speculative transactions in our securities, and/or from purchasing or using, directly or indirectly through family members or other persons or entities, financial instruments (including puts or calls, prepaid variable forward contracts, equity swaps, collars and exchange funds) that are designed to hedge or offset any decrease in the market value of our securities.

Officers and directors are prohibited from holding our securities in a margin account or pledging our securities as collateral for a loan. The Chief Executive Officer may grant an exception against pledging securities on a limited case-by-case basis. There is no exception to the prohibition against pledging with respect to the Chief Executive Officer.

The Executive Compensation Committee engages an executive compensation consultant that is independent under the Securities and Exchange Commission rules and NYSE listing standards to provide advice and expertise on our executive and director compensation program design and implementation and to lead discussions on trends within our industry.

Our say-on-pay vote in 2016 was 96.4 percent in agreement with our compensation paid to our NEOs. In reviewing our compensation program during 2016, our Executive Compensation Committee determined the only changes to our compensation program necessary in 2016 was to change the STI payout range to 50-150 percent from 0-200 percent and to add an additional safety measure to the STI calculation. Other than these changes, it was decided to continue to apply the same principles as have been historically applied in determining the nature and amount of our executive compensation.

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Link between Executive Compensation and Performance. The Board awarded Pierce H. Norton II, our President and Chief Executive Officer, incentive compensation for 2016 that was commensurate with our business results and his position as our President and Chief Executive Officer, including payment of an annual STI award of \$670,000 and a LTI award with a grant target value of \$1,509,792. Consistent with our executive compensation philosophy, a significant majority of Mr. Norton's total direct compensation of \$2,879,792 for 2016 was incentive-based and at-risk, as illustrated by the following chart:

The compensation of our other NEOs further reflects both our 2016 performance and our pay-for-performance compensation philosophy:

Named Executive Officer	2016 Base Salary	2016 STI Award	2016 LTI Award	2016 Total Direct Compensation
Curtis L. Dinan	\$435,000	\$307,000	\$432,493	\$1,174,493
Caron A. Lawhorn	\$360,000	\$251,000	\$432,493	\$1,043,493
Robert S. McAnnally	\$325,000	\$243,000	\$350,655	\$918,655
Joseph L. McCormick	\$310,000	\$185,000	\$324,005	\$819,005

Name	2016	
	Target STI Award as Percentage of Base Pay	Maximum STI Award as a Percentage of Base Pay
Pierce H. Norton II	90%	169%
Curtis L. Dinan	65%	122%
Caron A. Lawhorn	65%	122%
Robert S. McAnnally	65%	122%
Joseph L. McCormick	55%	103%

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CORPORATE RESPONSIBILITY

For more than 100 years, our business has delivered natural gas to our customers. We will continue to focus on operating safely and responsibly, while creating shareholder value.

SAFETY AND HEALTH

The safety of our employees, our customers and the communities where we operate is at the forefront of each business decision we make. By monitoring the integrity of our assets and promoting the safety and health of our employees, customers and communities, we are investing in the long-term sustainability of our businesses.

A substantial part of our workforce is comprised of operations specialists who work regularly in the field. We continuously assess the risks our employees face in their jobs, and we work to mitigate those risks through training, appropriate engineering controls, work procedures and other preventive safety and health programs. Reducing incidents and improving our safety incident rates is important, but we are not focused only on statistics. Low incident rates alone cannot prevent a large-scale incident, which is why we continue to focus on enhancing our preventive safety programs, such as near-miss reporting, vehicle-safety monitoring, risk assessment and others.

2016 Safety and Health Performance Updates and Highlights

Since 2013 we have experienced a 51% reduction in our Total Recordable Incident Rate (TRIR) and are approaching the 1st quartile amongst our American Gas Association (AGA) peers.

Strains and sprains, our most prevalent type of injury, has declined by 42% since 2013.

Although we did not achieve 1st quartile performance amongst our AGA peers in Preventable Vehicle Incident Rate (PVIR) in 2016, we achieved 1st quartile performance in PVIR from 2013 - 2015. Since 2013, we have had no Preventable Significant Incidents or Fatalities (SIFs).

ENVIRONMENTAL PERFORMANCE

2016 Environmental Updates and Highlights

We retired or replaced approximately 390 miles of distribution and transmission facilities in 2016, including 22 miles of cast iron pipe, which will result in decreased emissions of methane. We have a total of 48 miles of cast iron pipe remaining to be replaced, which we have committed to replace by the end of 2019.

In 2016, our Energy Efficiency Program in Oklahoma and the Austin and Rio Grande Valley Conservation Programs in Texas combined to issue more than 111,000 rebates totaling approximately \$11.59 million through energy-efficiency and conservation programs that offered customers rebates on natural gas appliances and energy-efficient home improvements.

We continue to be a partner in the Environmental Protection Agency's (EPA) Natural Gas STAR Program and actively participated in the development of the EPA's Methane Challenge program to voluntarily reduce greenhouse gas emissions.

COMMUNITY INVESTMENT

We are committed to being active members of the communities where we operate. Investing in the areas where we have operations and where our employees live and work is not only the right thing to do it's smart business. By contributing financially and through volunteer work, we can help build stronger communities and create a better environment for our employees, our customers and the general public.

We accomplish this in a number of ways, including grants from the ONE Gas Foundation, corporate sponsorships to nonprofit organizations and community volunteer efforts. Primary focus areas for our community investments are education, health and human services, arts and culture, environmental stewardship and community enrichment. We give priority consideration to educational programs and to health and human services organizations, particularly those with programs that help people become self-sufficient.

2016 Community Investment Updates and Highlights

In 2016, we contributed approximately \$2.7 million to nonprofit organizations through the ONE Gas Foundation and corporate sponsorships, and our employees volunteered more than 7,600 hours in our communities.

POLITICAL ADVOCACY AND CONTRIBUTIONS

We actively participate in the political process through the lobbying efforts of our government relations department, involvement in multiple business and industry trade organizations, and through the ONE Gas, Inc. Employee Political Action Committee (the ONE Gas PAC). In 2016, ONE Gas employees and members of the ONE Gas Board contributed approximately \$73,689 to the ONE Gas PAC. During 2016, the ONE Gas PAC contributed approximately \$110,900 to candidates for political office and other political action committees.

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As a company, we do not contribute corporate funds to political candidates, political action committees or so-called 501(c)(4) social welfare organizations. Employee and director contributions to the ONE Gas PAC are used to support candidates seeking federal or state offices who support the interests of the energy industry and business. A steering committee made up of senior management representatives and a contributions committee made up of employees from across our operating areas oversee all ONE Gas PAC contributions to political candidates.

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OUTSTANDING STOCK AND VOTING

VOTING

Only shareholders of record at the close of business on March 27, 2017, are entitled to receive notice of and to vote at the annual meeting. As of that date, 52,446,983 shares of our common stock were outstanding. Each outstanding share entitles the holder to one vote on each matter submitted to a vote of shareholders at the meeting. No other class of our stock is entitled to vote on matters to come before the meeting.

Shareholders of record may vote in person or by proxy at the annual meeting. All properly submitted proxies received prior to the commencement of voting at the annual meeting will be voted in accordance with the voting instructions contained on the proxy. Shares for which signed proxies are properly submitted without voting instructions will be voted:

- (1) **FOR** the election of the two Class III director nominees named in this proxy statement to serve on our Board of Directors for a three-year term;
- (2) **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2017;
- (3) **FOR** the advisory proposal to approve our executive compensation; and
- (4) **FOR** the approval of the material terms of our Annual Officer Incentive Plan for purposes of Section 162(m) of the Internal Revenue Code.

While we know of no other matters that are likely to be brought before the meeting, in the event any other business properly comes before the meeting, proxies will be voted in the discretion of the persons named in the proxy. The persons named as proxies were designated by our Board.

To vote shares held in street name through a bank, broker or its nominee, a shareholder must provide voting instructions to his or her bank, broker or its nominee. Brokerage firms, banks and other fiduciaries are required to request voting instructions for shares they hold on behalf of their customers and others. We encourage you to provide instructions to your bank, broker or its nominee on how to vote your shares. If your shares are held in street name, to be able to vote those shares in person at the annual meeting, you must obtain a legal proxy, executed in your favor, from the holder of record of those shares as of the close of business on March 27, 2017.

The rules of the NYSE determine whether proposals presented at shareholder meetings are routine or non-routine. If a proposal is routine, a broker or other entity holding shares for an owner in street name may vote for the proposal without receiving voting instructions from the owner under certain circumstances. If a proposal is non-routine, the broker or other entity may vote on the proposal only if the owner has provided voting instructions. A broker non-vote occurs when the broker or other entity is unable to vote on a proposal because the proposal is non-routine and the owner does not provide any voting instructions. Under the rules of the NYSE, Proposals 1, 3 and 4 are considered to be non-routine, and Proposal 2 is considered to be routine. Accordingly, if you do not provide voting instructions to your brokerage firm or other entity holding your shares, your brokerage firm or other entity holding your shares will not be permitted under the rules of the NYSE to vote your shares on Proposals 1, 3 and 4 and will be permitted under the rules of the NYSE to vote your shares on Proposal 2 at its discretion.

Please provide your voting instructions to your broker, bank or other holder of record so that your shares may be voted.

Representatives of our stock transfer agent, Wells Fargo Shareholder Services, a division of Wells Fargo Bank, N.A., will be responsible for tabulating and certifying the votes cast at the annual meeting.

QUORUM

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The holders of a majority of the shares entitled to vote at the annual meeting, present in person or by proxy, constitute a quorum for the transaction of business at the annual meeting. In determining whether we have a quorum, we count abstentions and broker non-votes as present.

If a quorum is not present at the scheduled time of the meeting, the shareholders who are present in person or by proxy may adjourn the meeting until a quorum is present. If the time and place of the adjourned meeting are announced at the time the adjournment is taken, no other notice will be given. However, if the adjournment is for more than 30 days, or if a new record date is set for the adjourned meeting, a notice will be given to each shareholder entitled to receive notice of, and to vote at, the meeting.

MATTERS TO BE VOTED UPON

At the annual meeting, the following matters will be voted upon:

- (1) the election of two Class III nominees for director named in this proxy statement to serve a three-year term;
- (2) the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2017;

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- (3) to consider and vote on our executive compensation on a non-binding, advisory basis;
- (4) to consider and vote on the material terms of our Annual Officer Incentive Plan for purposes of Section 162(m) of the Internal Revenue Code; and
- (5) such other business as may properly come before the meeting, or any adjournment or postponement of the meeting.

VOTES REQUIRED

Proposal 1 Election of two Class III Directors. Our bylaws provide for majority voting for directors in uncontested elections. We expect that the election of directors at our 2017 annual meeting will be uncontested. Under the majority voting standard, to be elected a nominee must receive a number of For votes that exceeds 50 percent of the votes cast with respect to that director's election. Abstentions and broker non-votes, if any, do not count as votes cast with respect to the election of directors.

Our corporate governance guidelines require that if an uncontested nominee for director does not receive more For than Against votes, he or she must promptly tender his or her resignation to our Board. The Board (excluding the director who tendered the resignation) will then evaluate the resignation in light of the best interests of our company and our shareholders in determining whether to accept or reject the resignation, or whether other action should be taken. The Board will announce publicly its decision regarding any tendered resignation.

Proposal 2 Ratification of Selection of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for the Year ending December 31, 2017. In accordance with our bylaws, approval of this proposal requires the affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on this proposal at the meeting. Abstentions will have the same effect as votes against this proposal.

Proposal 3 Advisory Vote on Executive Compensation. In accordance with our bylaws, approval of the proposal to approve our executive compensation requires the affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on this proposal at the meeting. Abstentions will have the same effect as votes against this proposal and broker non-votes do not count as entitled to vote for purposes of determining the outcome of the vote on this proposal. The vote on this proposal is advisory and non-binding on the company and our Board.

Proposal 4 Approval of the Material Terms of our Annual Officer Incentive Plan for Purposes of Section 162(m) of the Internal Revenue Code. In accordance with our bylaws, approval of the proposal to approve the material terms of our Annual Officer Incentive Plan for purposes of complying with Section 162(m) of the Internal Revenue Code requires the affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on this proposal at the meeting. Abstentions will have the same effect as votes against this proposal and broker non-votes do not count as votes cast and have no effect on the vote for purposes of determining the outcome of the vote on this proposal.

REVOKING A PROXY

Any shareholder may revoke his or her proxy at any time before it is voted at the meeting by (1) notifying our corporate secretary in writing (the mailing address of our corporate secretary is Corporate Secretary, ONE Gas, Inc., 15 East Fifth Street, Tulsa, Oklahoma 74103), (2) authorizing a later proxy via the Internet or by telephone, (3) returning a later dated proxy card, or (4) voting at the meeting in person. A shareholder's presence without voting at the annual meeting will not automatically revoke a previously delivered proxy and any revocation during the meeting will not affect votes previously taken.

If your shares are held in a brokerage account or by a bank or other holder of record, you may revoke any voting instructions you may have previously provided in accordance with the revocation instructions provided by the broker, bank or other holder of record.

PROXY SOLICITATION

Solicitation of proxies will be primarily by mail and telephone. We have engaged Morrow Sodali LLC, 470 West Avenue, Stamford, Connecticut 06902, to solicit proxies for a fee of \$8,500 plus out-of-pocket expenses. In addition, certain of our officers, directors and employees may solicit proxies on our behalf in person or by mail, telephone, fax or email, for which such persons will receive no additional

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compensation. We will pay all costs of soliciting proxies. We will also reimburse brokerage firms, banks and other custodians, nominees and fiduciaries for their reasonable expenses for forwarding proxy materials to our shareholders.

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GOVERNANCE OF THE COMPANY

Our Board and management are committed to maintaining strong corporate governance practices that allocate rights and responsibilities among our Board, management and our stakeholders in a manner that benefits the long-term interests of our stakeholders. Our corporate governance practices are designed not just to satisfy regulatory and stock exchange requirements but also to provide for effective oversight and management of our company.

Our Corporate Governance Committee engages in a regular process of reviewing our corporate governance practices, including comparing our practices with those recommended by various corporate governance authorities, the expectations of our stakeholders and the practices of other leading public companies. Our Corporate Governance Committee also regularly reviews our corporate governance practices in light of proposed and adopted laws and regulations, including the rules of the Securities and Exchange Commission and the rules and listing standards of the NYSE.

CORPORATE GOVERNANCE GUIDELINES

Our Board has adopted corporate governance guidelines that address key areas of our corporate governance, including: director qualification standards, including the requirement that a majority of our directors be independent under the applicable independence requirements of the NYSE; director responsibilities; director access to management; director compensation; management succession; evaluation of the performance of our Board; and the structure and operation of our Board. Our Board periodically reviews our corporate governance guidelines and may revise the guidelines from time to time as conditions warrant. The full text of our corporate governance guidelines is published on and may be printed from our website at www.ONEGas.com and is also available from our corporate secretary upon request.

CODE OF BUSINESS CONDUCT AND ETHICS

Our Board has adopted a code of business conduct and ethics that applies to our directors, officers (including our principal executive and financial officers, controller and other persons performing similar functions) and all other employees. We require all directors, officers and employees to adhere to our code of business conduct and ethics in addressing the legal and ethical issues encountered in conducting their work for our company. Our code of business conduct and ethics requires that our directors, officers and employees avoid conflicts of interest, comply with all applicable laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in our company's best interests. All directors, officers and employees are required to report any conduct that they believe to be an actual or apparent violation of our code of business conduct and ethics.

The full text of our code of business conduct and ethics is published on and may be printed from our website at www.ONEGas.com and is also available from our corporate secretary upon request. We intend to disclose on our website any future amendments to, or waivers from, our code of business conduct and ethics, as required by the rules of the Securities and Exchange Commission and the NYSE.

DIRECTOR INDEPENDENCE

Our corporate governance guidelines provide that a majority of our Board of Directors will be independent under the applicable independence requirements of the NYSE. These guidelines and the rules of the NYSE provide that, in qualifying a director as independent, the Board must make an affirmative determination that the director has no material relationship with our company, either directly or as a partner, shareholder or officer of an organization that has a relationship with our company. In making this determination with respect to each director serving on the Executive Compensation Committee, under the rules of the NYSE, the Board is required to consider all factors specifically relevant to determine whether the director has a relationship to our company which is material to that director's ability to be independent from management in connection with the duties of a member of that committee.

Our Board of Directors has also adopted director independence guidelines that specify the types of relationships the Board has determined to be categorically immaterial. Directors who meet these standards are considered to be independent. The full text of our director independence guidelines is published on and may be printed from our website at www.ONEGas.com and is also available from our corporate secretary upon request.

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Our Board has determined affirmatively that members Robert E. Evans, Michael G. Hutchinson, Pattye L. Moore, Eduardo A. Rodriguez and Douglas H. Yaeger have no material relationship with our company, and each qualifies as independent under our corporate governance guidelines, our director independence guidelines and the rules of the NYSE. In determining whether certain of our directors qualify as independent under our director independence guidelines, our Board considered the receipt by certain directors or their immediate family members (or entities of which they are members, directors, partners, executive officers, or counsel) of natural gas service from us at regulated rates on terms generally available to all of our customers (and, in the case of an entity, in an amount that is less than the greater of \$1 million or 2 percent of the entity's gross revenue for its last fiscal year). In each case, the Board determined these relationships to be in the ordinary course of business at regulated rates or on substantially the same terms available to non-affiliated third parties and to be immaterial in amounts to both our company and the director.

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BOARD LEADERSHIP STRUCTURE

During 2016, our Board was led by John W. Gibson, who was the Chairman of the Board, and Eduardo A. Rodriguez, who was both our lead independent director and the chair of the Corporate Governance Committee. In addition, our Audit Committee and Executive Compensation Committee are each led by a chair and vice chair, each of whom is an independent director.

LEAD INDEPENDENT DIRECTOR

Our corporate governance guidelines vest the lead independent director who, under these guidelines, is also chair of our Corporate Governance Committee, with various key responsibilities. The guidelines provide that the lead independent director shall serve for a term of three to five years as determined by the Board, and that the duties of the lead independent director include but are not limited to:

presiding as the chair at all meetings of the Board at which the Chairman of the Board is not present;

presiding at all executive sessions of the independent directors;

serving as liaison between the Chairman of the Board and the independent directors;

approving information sent to the Board;

approving meeting agendas for the Board; and

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

In addition, the lead independent director has the authority to call meetings of the independent directors and, if requested by major shareholders, will ensure that he or she is available for consultation and direct communication with such shareholders. The Lead Independent Director may also perform duties otherwise assigned to the Chairman of the Board, as set forth above, when the offices of the Chairman of the Board and the Chief Executive Officer are combined.

SUCCESSION PLANNING

A key responsibility of the Chief Executive Officer and the Board is ensuring that an effective process is in place to provide continuity of leadership over the long term at all levels in our company. Each year, succession-planning reviews are held at every significant organizational level of the company, culminating in a full review of senior leadership talent by our independent directors. During this review, the Chief Executive Officer, the Chairman of the Board and the independent directors discuss future candidates for senior leadership positions, succession timing for those positions and development plans for the highest-potential candidates. This process ensures continuity of leadership over the long term, and it forms the basis on which our company makes ongoing leadership assignments. It is a key success factor in managing the long-term planning and investment lead times of our business.

In addition, the Chief Executive Officer maintains in place at all times, and reviews with the non-management directors, a confidential plan for the timely and efficient transfer of responsibilities in the event of an emergency or sudden incapacitation or departure of the Chief Executive Officer.

RISK OVERSIGHT

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We engage in an annual comprehensive enterprise risk-management (ERM) process to identify, aggregate, monitor, measure, assess and manage risk. Our ERM approach is designed to enable our Board to establish a mutual understanding with management of the effectiveness of our risk-management practices and capabilities, to review our risk exposure and to elevate certain key risks for discussion at the Board level. Management and our Board believe that risk management is an integral part of our annual strategic planning process, which addresses, among other things, the risks and opportunities facing our company.

Our ERM program is overseen by our Chief Financial Officer. The program is a companywide process designed to identify, aggregate, monitor, measure, assess, and manage risks that could affect our ability to fulfill our business objectives or execute our corporate strategy. Our ERM process involves the identification and assessment of a broad range of risks and the development of plans to mitigate their effects. These risks generally relate to strategic, operational, financial, regulatory compliance and human resources issues.

Not all risks can be dealt with in the same way. Some risks may be easily perceived and controllable, and other risks are unknown; some risks can be avoided or mitigated by particular behavior, and some risks are unavoidable as a practical matter. For some risks, the potential adverse impact would be minor and, as a matter of business judgment, it may not be appropriate to allocate significant resources to avoid the adverse impact. In other cases, the adverse impact could be significant, and it is prudent to expend resources to seek to avoid or mitigate the potential adverse impact. In some cases, a higher degree of risk may be acceptable because of a greater perceived potential for reward. Management is responsible for identifying risks and controls related to our significant business activities; mapping the risks to our corporate strategy; and developing programs and recommendations to determine the sufficiency of risk identification, the balance of potential risk to potential reward and the appropriate manner i