

DEVON ENERGY CORP/DE  
Form DEF 14A  
April 24, 2019  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**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

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

**DEVON ENERGY 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)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

## Edgar Filing: DEVON ENERGY CORP/DE - Form DEF 14A

- (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:



**Table of Contents**

Commitment Runs Deep

2019

Notice of Annual Meeting

and Proxy Statement

**Table of Contents**

Dear Fellow Stockholders,

It is with deep feeling that I write to you for the last time as Chairman of Devon's Board of Directors. I will be retiring at our upcoming meeting after 12 years of service on Devon's Board, but I am proud to be doing so when there is so much reason to look toward the future with excitement.

In 2018, we took significant steps toward achieving our long-term strategic goals, transitioning our franchise U.S. oil business into full-field development and high-grading our asset portfolio. Some key accomplishments included growing Delaware and STACK production by 27%, reducing consolidated debt by more than 40%, building per-share value by repurchasing 14% of our stock and raising the quarterly dividend by 33%. Looking ahead, we're pursuing the separation of our Canadian and Barnett Shale assets to complete our transformation to a returns-driven U.S. oil-growth business.

I am as pleased to share with you how we a company that explores for, develops and produces oil, natural gas and natural gas liquids achieve results like these. In a word, we do so sustainably, something on which major third parties agree: Sustainalytics, ISS and MSCI each confer high scores on us for our environmental, social and governance (ESG) performance. And, over the past year, we have continued our engagement with stakeholders to further focus our ESG efforts. Since our last annual meeting, we have, among other things, released our 2018 Sustainability Report, our first Climate Change Assessment Report and our 2018 Political Activity and Lobbying Report. We have also nominated two new directors Ann Fox and Keith Rattie to serve on Devon's Board. Ms. Fox and Mr. Rattie have impressive credentials and experience, and we believe they will bring fresh perspectives to our Board.

Before I turn over the gavel, I invite your input through any of the means we offer to make that possible. I ask for your voting support for the items described in more detail in the materials that follow. Finally, I thank you for your investment in a company to which I have given so much of my own time and energy and of which I expect to remain, like you, a fellow stockholder.

Sincerely,

**John Richels**

Chairman of the Board

**Commitment Runs Deep**

**Table of Contents**

**DEVON ENERGY CORPORATION**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Time** 8:00 a.m. (Central time) on Wednesday, June 5, 2019

**Place** Devon Energy Center Auditorium

333 W. Sheridan Avenue

Oklahoma City, Oklahoma 73102

**Items of Business** Elect eleven directors for a term of one year;  
Ratify the appointment of the independent auditors for 2019;  
Approve, in an advisory vote, executive compensation; and

Transact such other business as may properly come before the meeting or any adjournment of the meeting.

**Who Can Vote** Stockholders of record at the close of business on April 8, 2019, are entitled to notice of and to vote at the meeting. You may examine a complete list of stockholders entitled to vote at the meeting during normal business hours for the ten days prior to the meeting at our offices and at the meeting.

**Voting by Proxy** Please submit a proxy as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. You may submit your proxy by:

internet;

telephone; or

mail.

For specific information, please refer to the section entitled Frequently Asked Questions About the Annual Meeting beginning on page 83.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on June 5, 2019:**

**Our 2019 Proxy Materials, including the 2019 Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2018, are available at [www.proxydocs.com/dvn](http://www.proxydocs.com/dvn).**

**BY ORDER OF THE BOARD OF DIRECTORS**

Christopher J. Kirt

Vice President Corporate Governance

and Corporate Secretary

Oklahoma City, Oklahoma

April 24, 2019

**Commitment Runs Deep**



**Table of Contents**

<b><u>DEVON AT A GLANCE</u></b>	<b>1</b>
<b><u>OUR BOARD</u></b>	
<b><u>WHO WE ARE (Our Nominees for Election)</u></b>	<b>5</b>
<u>Biographies</u>	5
<u>Director Skills and Experience</u>	16
<b><u>AGENDA ITEM 1. ELECTION OF DIRECTORS</u></b>	<b>17</b>
<b><u>HOW WE ARE SELECTED, COMPRISED AND EVALUATED</u></b>	<b>18</b>
<b><u>GOVERNANCE COMMITTEE REPORT</u></b>	<b>18</b>
<b><u>HOW WE ARE GOVERNED AND GOVERN</u></b>	<b>21</b>
<u>Committees</u>	22
<u>Director Independence</u>	24
<u>Related Person Transactions</u>	24
<u>Leadership Structure</u>	25
<u>Lead Director</u>	25
<u>Board Involvement in Risk Oversight</u>	25
<b><u>HOW TO COMMUNICATE WITH US</u></b>	<b>27</b>
<b><u>HOW WE ARE PAID</u></b>	<b>29</b>
<u>Director Compensation for the Year Ended December 31, 2018</u>	29
<u>Annual Retainer and Meeting Fees</u>	29
<u>Equity Awards to Directors</u>	29
<u>Total Compensation for Non-Management Directors for 2018</u>	30
<u>Changes to Director Compensation</u>	30
<u>Compensation Committee Interlocks and Insider Participation</u>	30
<b><u>OUR CONTROLS AND COMPLIANCE</u></b>	
<b><u>AUDIT COMMITTEE REPORT</u></b>	<b>31</b>
<u>Fees to Independent Auditor</u>	32
<u>Audit Committee Pre-Approval Policies and Procedures</u>	32
<b><u>AGENDA ITEM 2. RATIFICATION OF INDEPENDENT AUDITORS FOR 2019</u></b>	<b>33</b>
<b><u>RESERVES COMMITTEE REPORT</u></b>	<b>34</b>
<b><u>OUR COMPANY</u></b>	
<b><u>WHO WE ARE (Our Officers)</u></b>	<b>35</b>
<b><u>AGENDA ITEM 3. APPROVE, IN AN ADVISORY VOTE, EXECUTIVE COMPENSATION</u></b>	<b>36</b>
<b><u>EXECUTIVE COMPENSATION</u></b>	<b>37</b>
<b><u>COMPENSATION DISCUSSION AND ANALYSIS</u></b>	<b>37</b>
<u>Introduction</u>	38
<u>Executive Summary</u>	38
<u>Compensation Decisions for 2018</u>	43
<u>Comparison of Year-Over-Year Total Direct Pay Awarded</u>	49
<u>Effect of Company Performance on President &amp; CEO Realizable Pay</u>	49
<u>Compensation Process Background</u>	51
<u>Additional Benefits and Compensation Information</u>	52
<b><u>COMPENSATION COMMITTEE REPORT</u></b>	<b>56</b>

<b><u>SUMMARY COMPENSATION TABLE</u></b>	57
<b><u>GRANTS OF PLAN-BASED AWARDS</u></b>	59
<b><u>OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END</u></b>	60
<b><u>OPTION EXERCISES AND STOCK VESTED DURING 2018</u></b>	62
<b><u>PENSION BENEFITS</u></b>	62
<b><u>BENEFIT PLANS</u></b>	64
<u>Defined Benefit Plan</u>	64
<u>Benefit Restoration Plan</u>	65
<u>Supplemental Retirement Income Plan</u>	66
<u>Defined Contribution Plan 401(k) Plan</u>	66
<u>Nonqualified Deferred Compensation Plan</u>	66
<u>Supplemental Contribution Restoration Plans</u>	68
<u>Supplemental Executive Retirement Plan</u>	68
<b><u>POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL</u></b>	68
<u>Accrued Payments Upon Termination of Employment</u>	69
<u>Rights Upon Termination for Death or Disability</u>	69
<u>Rights Upon Termination Without Cause and Constructive Discharge</u>	69
<u>Termination Following a Change in Control</u>	70
<u>Payment Conditions</u>	70
<u>Long-Term Incentive Awards</u>	70
<u>Potential Payments Upon Termination or Change of Control Tables</u>	72
<b><u>CEO PAY RATIO</u></b>	75
<b><u>EQUITY COMPENSATION PLAN INFORMATION</u></b>	77
<b><u>OUR STOCKHOLDERS</u></b>	
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u></b>	78
<u>Security Ownership of Certain Beneficial Owners</u>	78
<u>Security Ownership of Management</u>	79
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	81
<b><u>SUBMISSION OF STOCKHOLDER PROPOSALS AND NOMINATIONS</u></b>	82
<b><u>FREQUENTLY ASKED QUESTIONS ABOUT THE ANNUAL MEETING</u></b>	83
<b><u>OTHER MATTERS</u></b>	87
<b><u>APPENDIX A. EXPLANATION AND RECONCILIATION OF NON-GAAP FINANCIAL MEASURES</u></b>	A-1

**Table of Contents**

We are furnishing you this Proxy Statement in connection with the solicitation of proxies by our Board of Directors (Board) to be used at the Annual Meeting and any adjournment thereof. The Annual Meeting will be held on Wednesday, June 5, 2019, at 8:00 a.m. (Central time).

All references in this Proxy Statement to we, our, us, Devon or the Company refer to Devon Energy Corporation.

**Overview**

Devon explores for, develops and produces oil, natural gas and natural gas liquids in areas where the oil and gas industry has long been active onshore in the United States and Canada. Founded in 1971, we have a formidable portfolio of exploration and production assets and operations that provide stable, environmentally responsible production and a platform for future growth.

As part of a focused development program, our drilling activity is concentrated in the Delaware Basin of southeast New Mexico, the STACK play in west-central Oklahoma, the Eagle Ford play in south Texas and the Powder River Basin in the Rockies. We are:

A world-class U.S. oil company

Exceptional acreage position in top basins

Multi-decade inventory to drive sustainable growth

Accelerating value realization for Devon Canada and the Barnett Shale

Focused on operational excellence

Committed to high safety and environmental standards

Aggressively reducing costs

Shifting to higher-margin production

Positioned for mid-teens oil growth and free cash flow generation

Delivering value to stockholders

Committed to return of capital

Capital-efficient per-share growth

Strong value proposition with attractive valuation

### **Financial and Operating Performance**

2018 was a pivotal year for Devon as we took several significant steps toward achieving our long-term strategic financial and operating goals. Operationally, we successfully transitioned our franchise U.S. oil business into full-field development, with Delaware and STACK oil production increasing 37% in 2018 compared to 2017. In addition to this strong operating performance, we made substantial progress high-grading our asset portfolio with divestiture proceeds reaching approximately \$5 billion, reduced consolidated debt by more than 40%, increased per-share value by repurchasing 14% of our stock through our industry-leading repurchase program and raised our quarterly dividend by 33%.

## **Table of Contents**

Following year end, our Board of Directors authorized the Company to pursue the separation of its Canadian and Barnett Shale assets to complete the transformation to a high-return U.S. oil growth business. The separation will allow Devon to focus on its top-tier, high-return U.S. oil assets and is aligned with the Company's previously announced long-term strategic plan.

With our world-class U.S. oil resource plays rapidly building momentum and achieving operating scale, the final step in our multi-year transformation is an aggressive, transformational move that will accelerate value creation for our stockholders by further simplifying our resource-rich asset portfolio.

## **Sustainability Performance**

At Devon, we are proud to be leaders in an industry delivering products that are essential to lives and livelihoods around the world. We produce a valuable commodity that is fundamental to society, and we do so in a safe, environmentally responsible and ethical way, while striving to deliver strong returns to stockholders.

Based in Oklahoma City, we employ approximately 2,600 men and women in the U.S. and Canada, operating under the motto: Commitment Runs Deep. We take this to heart and apply it to everyone who has a stake in our success investors, employees and neighbors alike.

### ***OUR***

### ***PEOPLE***

We make sure we hire the best people. Our people are team players who embrace honesty and integrity. They share our profound respect for the environment and the people and communities in which we operate. In return, we provide competitive compensation and benefits, including:

medical, dental, and vision health care coverage for all employees and their families;

health savings and dependent-care flexible spending accounts;

a 401(k) savings plan with a generous Devon match for contributions by U.S. employees;

education, training, health and wellness programs;

maternity and parental leave for the birth or adoption of a child and an adoption assistance program; and alternate work schedules, flexible work hours, part-time work options and telecommuting support.

**Table of Contents**

***WORKPLACE***

***SAFETY***

At Devon, we believe *that keeping people safe is our moral obligation* and, on this front, our work is never done.

We set challenging corporate goals each year to drive safety performance improvements.

We have an EHS Council with responsibility for setting strategy and ensuring implementation to continuously improve our safety systems.

In 2018, we aggressively expanded our *Hearts and Minds* training, which is a leadership-focused, safety-related workshop covering topics such as safety culture, stop work for safety, communication, continuous improvement, integrity, attitude and situational awareness.

We only work with approved contractors and vendors who complete our supplier qualification process and agree to meet policy, insurance, and health and safety requirements.

88% of our operational spending in 2018 was with contractors that earned our highest three safety ratings.

We experienced positive year-over-year (YoY) trends across EHS performance from 2017 to 2018, highlighted by a 10% YoY improvement in recordables and 33% YoY improvement in SIF recordables (i.e., serious incidents or fatalities).

In 2018, Devon drivers logged 19 million miles with only one vehicle SIF incident.

***ENVIRONMENT***

Our core values guide our approach to environmental stewardship: We are committed to preserving the quality of the environment for future generations as we find and produce oil and natural gas, and we monitor and report on how our investments in environmental stewardship are reducing our environmental impact.

We have cut our GHG emissions intensity by 20% over the last three years.

In 2018, we published our first climate change report that reviewed Devon's portfolio in light of various carbon-constrained demand scenarios.

We have eliminated the use of fresh water for steam generation in our SAGD heavy oil operations.

For our operations in the Delaware Basin, more than 80% of water use is reused water.

We have reused 21 million barrels of water in southeast New Mexico alone in the last four years.

In 2018, we only lost 0.0021% of barrels produced and continued our four-year trend of reducing the number of barrels of oil spilled.

We have developed and implemented an environmental risk indicator that tracks leading and lagging indicators of our environmental performance every month.

We have reported our greenhouse gas (GHG) emission reductions efforts to the CDP Climate Change Report for the past 14 years, and more recently our water conservation and protection investments to the CDP Water Report.



**Table of Contents**

***COMMUNITY ENGAGEMENT AND***

***STAKEHOLDER TRANSPARENCY***

At Devon, we engage stakeholders every day to build relationships of trust and cooperation. Through formal meetings and informal conversations, we regularly engage with stockholders, neighbors, landowners, mineral-rights holders, policymakers, legislators, suppliers, vendors, service companies, our employees and their families.

In collaboration with expert local stakeholders, we integrate land use and biodiversity considerations into early planning and all operating phases for our wells.

We have formal processes to receive complaints in person, by phone or online, and to respond with the appropriate level of urgency.

Devon has a long history of promoting STEM education. Through our signature Ingenuity STEM Grant program, we have made more than \$1 million in grants to educators in our operating areas in the U.S. and Canada in the past eight years. In 2018, 780 classrooms and 875 teachers were impacted through Devon's education and STEM programs.

We have published a comprehensive Political Activity and Lobbying Report in each of the past two years in direct response to stockholder feedback. We expect to annually publish a report to make it easier for stakeholders to see our expenditures for corporate political contributions.

In 2018, adopted our Statement on Human Rights, which reflects that we embrace human rights principles and social progress.

**Table of Contents**

*Our Nominees for Election*

Experience and Qualifications

**Barbara M.  
Baumann**

Director since 2014

Age 63

Committees:

Audit

Governance

Barbara M. Baumann is a former BP Amoco executive who currently serves as president and owner of Cross Creek Energy Corporation, an energy advisory firm with investments in the domestic oil and gas business. Prior to founding her own firm in 2003, Baumann was Executive Vice President of Associated Energy Managers, a private equity firm investing in small energy companies. Ms. Baumann began her 18-year career with Amoco (later BP Amoco) in 1981. She served in various areas of finance and operations, including Chief Financial Officer of Ecova Corporation, Amoco's wholly-owned environmental remediation business, and Vice President of Amoco's San Juan Basin business unit. She brings to the Board her extensive knowledge of the energy industry and her experience as an accomplished leader and business professional.

Education

Ms. Baumann earned a bachelor's degree from Mount Holyoke College and a master's in business administration from the Wharton School of the University of Pennsylvania.

Other Boards and Appointments

Ms. Baumann is a director of Buckeye Partners, L.P. where she serves on the audit committee and the compensation committee. Ms. Baumann ~~Committee~~ ~~Runs~~ ~~Deep~~ independent board of trustees of Putnam Mutual Funds where she chairs the audit, compliance and distributions committee. In addition, she is a senior advisor for First

**Table of Contents**

~~Reserve Corporation, a private equity firm focused on energy. She previously served on the~~  
boards of Hat Creek Energy Corporation, Cody Resources Management, LLC, CVR Energy, SM Energy, and UNS Energy.

Experience and Qualifications

***John E.  
Bethancourt***

Director since 2014

Age 67

Committees:

Compensation

Reserves

John E. Bethancourt is a retired Chevron executive. He most recently served as Executive Vice President for technology and services where he was responsible for overseeing Chevron's environmental, health and safety efforts, major project management, procurement and mining operations. Mr. Bethancourt began his career in 1974 with Getty Oil Company and joined Texaco Inc. in 1984 when the two companies merged. During his career with Texaco and later Chevron, Mr. Bethancourt served in various executive leadership roles overseeing business development, worldwide production operations and human resources. He brings to the Board his extensive knowledge of the energy industry and his experience as an accomplished leader and business professional.

Education

Mr. Bethancourt earned a bachelor's degree in petroleum engineering from Texas A&M University.

Other Boards and Appointments

Mr. Bethancourt previously served on the board of trustees of the Texas A&M Foundation and is a past director of both the Society of Petroleum Engineers and the National Action Council for Minorities in Engineering, Inc.

Table of Contents

Experience and Qualifications

***Ann G. Fox***

Director Nominee

Age 42

Ms. Fox is President and Chief Executive Officer of Nine Energy Services, Inc. (Nine), a Houston-based oilfield services company with operations throughout the U.S. and Canada. She joined Nine in 2013 and served as Chief Financial Officer and Vice President of Strategic Development before she was named President and Chief Executive Officer in 2015. Prior to joining Nine, she worked for SCF Partners, a private-equity firm supporting the oilfield services and equipment industries. Her responsibilities at SCF Partners included evaluating and executing new investment opportunities and supporting ongoing portfolio initiatives. She also participated in the firm's investor committee and held the position of managing director.

Upon graduation from college, Ms. Fox joined the private sector as an investment banking analyst in New York then joined the Marines, where she served several tours of duty in Iraq on a team that reported directly to General David Petraeus.

Ms. Fox's experience, credentials and perspective make her a highly qualified nominee for the Board.

Education

Ms. Fox received a bachelor's of science in diplomacy and security in world affairs from Georgetown University's Walsh School of Foreign Service. She also earned a master's of business administration from Harvard Business School.

Other Boards and Appointments

Ms. Fox is on Nine's board of directors. She also serves on the board of the Groton School and is a member of the HBS Alumni Board (Harvard Business School).

**Table of Contents**

**Experience and Qualifications**

***David A. Hager***

Director since 2016

Age 62

David A. Hager was elected by the Board of Directors to the position of President and Chief Executive Officer on August 1, 2015. He joined the Company in March 2009 and held the position of Executive Vice President Exploration and Production from 2009 until 2013 and Chief Operating Officer from 2013 to 2015. Mr. Hager started in the oil and gas business as a geophysicist with Mobil Corp. He joined Sun Oil in 1981 and continued with Oryx Energy following its spin off from Sun Oil. During his tenure at Oryx, he managed new ventures and deepwater projects around the world. After Oryx merged with Kerr-McGee in 1999, Mr. Hager managed the company's worldwide deepwater exploration and production operations and assumed responsibility for all exploration and production activities in 2003. He later served as Kerr-McGee's Chief Operating Officer until it was acquired by Anadarko Corp. in 2006.

**Education**

Mr. Hager has a bachelor's degree in geophysics from Purdue University and a master's degree in business administration from Southern Methodist University.

**Other Boards and Appointments**

From 2007 until joining the Company as an executive officer, Mr. Hager served as a member of Devon's Board of Directors. He was then elected again to serve as a member of the Board in 2016. Mr. Hager currently serves on the Board of the American Petroleum Institute. Mr. Hager previously served on the boards of the managing member and general partner of EnLink Midstream, LLC and EnLink Midstream Partners, LP, respectively.

**Table of Contents**

**Experience and Qualifications**

***Robert H. Henry***

Director since 2010

Age 66

**Committees:**

Audit

Governance

Robert H. Henry is a legal and foreign relations scholar, public servant and leader. He served as the President and Chief Executive Officer of Oklahoma City University from 2010 to 2018. Following his retirement from Oklahoma City University, Mr. Henry returned to the practice of law and serves as a mediator and arbitrator through FedArb, a leading alternative dispute resolution firm. Mr. Henry brings to the Board his experience and knowledge of the law, which enable him to provide valuable insights in the areas of governance and public policy.

Mr. Henry has had a distinguished career in public service. In 1994, President Bill Clinton appointed Mr. Henry to the United States Court of Appeals for the Tenth Circuit, where he served until June 2010, most recently as Chief Judge. Mr. Henry was elected and re-elected Attorney General of the State of Oklahoma from 1986 to 1991. He served in the Oklahoma House of Representatives from 1976 to 1986, where he was principal author of the 1986 Oklahoma General Corporation Act that moved Oklahoma law to the Delaware corporate law model.

Mr. Henry was Dean and Professor of Law at Oklahoma City University School of Law from 1991 to 1994. Mr. Henry also taught at the University of Oklahoma Honors College (Oxford Program), the University of Oklahoma College of Law, and Oklahoma Baptist University (Business Law) and served as Distinguished Judge in Residence at the University of Tulsa College of Law.

**Education**

Mr. Henry received his bachelor's degree and juris doctorate from the University of Oklahoma. He has received honorary doctorate degrees from the University of Oklahoma, Oklahoma State University, the University of Tulsa and Oklahoma City University.

Other Boards and Appointments

Mr. Henry is a life member of the National Conference of Commissioners on Uniform State Laws, and a member of the Council on Foreign Relations, the American Law Institute, and the William J. Holloway, Jr. American Inn of Court, Master of the Court. While a federal judge, Mr. Henry served as chair of the committee on International Relations of the Judicial Conference of the United States. He is a life and founding member of the Tenth Judicial Circuit's Historical Society. Mr. Henry previously served on the board of LSB Industries, Inc.



**Table of Contents**

**Experience and Qualifications**

***Michael M.  
Kanovsky***

Director since 1999

Age 70

**Committees:**

Chair, Reserves

Audit

Michael Kanovsky is a Professional Engineer and has been involved with investment banking and oil and gas businesses for over 40 years. He has been President of Sky Energy Corporation since 1993. Mr. Kanovsky brings to the Board an extensive knowledge of the energy industry and finance, with a wealth of experience with Canadian assets and areas of operation.

In 1978, Mr. Kanovsky co-founded Canadian Northstar Corporation and its successor, Northstar Energy Corporation, where he was primarily responsible for strategic development, finance and acquisitions until its acquisition by Devon Energy Corporation in 1998. In 1997, Mr. Kanovsky founded Bonavista Petroleum Ltd. Mr. Kanovsky has also held other executive positions, including Chief Executive Officer of Arrowstar Drilling and Vice President of Corporate Finance, Western Canada, for a large Canadian investment dealer.

**Education**

Mr. Kanovsky received a bachelor's degree in mechanical engineering from Queen's University as well as a master's degree in business administration from the Richard Ivey School of Business at Western University.

**Other Boards and Appointments**

Mr. Kanovsky is a director of Bonavista Energy Corporation and serves as lead director, as chairman of the governance and nominating committee and as a member of the executive, reserves and audit committees.

Mr. Kanovsky previously served on the boards of Seven Generations Energy Ltd., Pure Technologies Ltd., TransAlta Corporation, and ARC Resources Ltd. He also served as chairman of the board of Taro Industries and vice chairman of Precision Drilling, Inc. He co-founded PowerLink Corporation, an electrical cogeneration company and former subsidiary of Northstar Energy Corporation, and served as its senior executive board chairman.

**Table of Contents**

**Experience and Qualifications**

***John Krenicki Jr.***

Director since 2018

Age 56

**Committees:**

Compensation

Governance

John Krenicki Jr. is a Senior Operating Partner at Clayton, Dubilier & Rice, LLC (CD&R), a private investment firm. Mr. Krenicki is a former General Electric Company Vice Chairman and former President and CEO of GE Energy, GE Plastics and GE Transportation. His most recent responsibilities included oversight of GE's oil and gas, power and water, and energy management businesses. He brings to the Board his extensive industrial and energy experience and his track record as an accomplished leader and strategic thinker.

**Education**

Mr. Krenicki earned a bachelor's degree in mechanical engineering from the University of Connecticut and a master's degree in management from Purdue University.

**Other Boards and Appointments**

Mr. Krenicki serves as chairman of Brand Industrial Holdings, Inc., PowerTeam Services and Wilsonart International Holdings LLC, which are privately held entities controlled by CD&R. He also is lead director on the board of NCI Building Systems, Inc. and serves as chairman of the nominating and corporate governance committee and executive committee and as a member of the compensation committee. He previously served as chairman of the board of ServiceMaster Global Holdings and CHC Group and as a director of Hess Corporation.

**Table of Contents**

Experience and Qualifications

***Robert A. Mosbacher, Jr.***

Director since 2009

Age 67

Lead Director

Committees:

Chair, Governance

Compensation

Robert A. Mosbacher, Jr. is an accomplished business leader with more than 30 years in the energy industry. He is chairman of Mosbacher Energy Company, an independent oil and gas exploration and production company. Mr. Mosbacher brings to the Board his extensive background in the energy industry, his leadership skills, and his economic development experience in global markets.

Mr. Mosbacher is founder and chairman of BizCorps, a Washington-based non-profit organization that places graduates of top business schools with entrepreneurs in emerging markets. In 2005, Mr. Mosbacher was appointed by President George W. Bush to the position of President and Chief Executive Officer of the Overseas Private Investment Corporation, an independent agency of the U.S. government that supports private capital investment in emerging markets around the world. He served in that capacity until 2009. Mr. Mosbacher had a distinguished public service career that included serving as Chairman of the Board of the Texas Department of Human Services and as a staff member in the office of Senator Howard Baker of Tennessee.

Education

Mr. Mosbacher received a bachelor's degree in political science from Georgetown University and a juris doctorate degree from Southern Methodist University.

Other Boards and Appointments

Mr. Mosbacher is chairman of the board of Global Communities and serves on the board of the Center for Global Development. In addition, Mr. Mosbacher served as a director of the Calpine Corporation board from 2009 until 2018. Mr. Mosbacher previously served as a member of Devon's Board from 1999 until 2005.



**Table of Contents**

**Experience and Qualifications**

***Duane C. Radtke***

Director since 2010

Age 70

Vice Chairman

Committees:

Chair,  
Compensation

Reserves

Duane C. Radtke has over 45 years of experience in management, engineering and business development in the energy industry. Mr. Radtke has been President and Chief Executive Officer of Valiant Exploration LLC since 2008. Mr. Radtke brings to the Board extensive knowledge of the energy business, including experience with the Company's assets and operations.

Mr. Radtke served as the Chief Executive Officer and President of Dominion Exploration and Production, a subsidiary of Dominion Resources, Inc., from 2001 to 2007. During that period, he also served as Executive Vice President of Consolidated Natural Gas Company, a subsidiary of Dominion Resources, Inc. Prior to his tenure with Dominion Resources, Inc., Mr. Radtke was an executive with Santa Fe Snyder where he served in various capacities, including Executive Vice President of Production. Following Devon's acquisition of Santa Fe Snyder in 2000, Mr. Radtke served as President of the Company's international division until joining Dominion.

**Education**

Mr. Radtke holds a bachelor's degree in mining engineering from the University of Wisconsin.

**Other Boards and Appointments**

Mr. Radtke is a director of Kris Energy Ltd. and serves on the compensation and nominating committees. He previously served as lead director of Sabine Oil & Gas Corporation and chairman of the American Exploration and Production Council. He also was a director of Smith International, Inc. and Consolidated Natural Gas Company. Mr. Radtke also previously served as non-executive chairman of Bazean Corporation, a private investment company.



**Table of Contents**

**Experience and Qualifications**

***Keith O. Rattie***

Director Nominee

Age 65

Keith O. Rattie has more than 40 years of experience in the oil and gas industry. Mr. Rattie was President of Questar Corporation from 2001 until 2010 and Chief Executive Officer from 2002 until 2010. He also served on Questar Corporation's board from 2001 until 2014, including as Chairman from 2003 until 2010 and Non-Executive Chairman from 2010 to 2012. Prior to his time with Questar Corporation, Mr. Rattie served as Vice President and Senior Vice President of Coastal Corporation, a diversified energy company. He also spent 19 years with Chevron Corporation in various engineering and management positions, including as General Manager of Chevron's international gas unit.

Mr. Rattie's extensive experience as a public energy company executive and as a director on public company boards make him well-qualified to serve on Devon's Board of Directors.

**Education**

Mr. Rattie earned a bachelor's of science degree in electrical engineering from the University of Washington and a master's in business administration from St. Mary's College.

**Other Boards and Appointments**

Mr. Rattie is a director of Enscopl and serves as chairman of the audit committee. He is also a director of Select Energy Services, Inc. and serves on the audit committee and as chairman of the nominating and governance committee. Mr. Rattie also served on the board of Rockwater Energy Solutions, Inc. from 2011 until the company merged with Select Energy Services, Inc. in 2017.



As noted above, Mr. Rattie previously served as a director of Questar Corporation. Mr. Rattie also served as a director of QEP Resources, Inc. from 2010 to 2014, including as chairman from 2010 to 2012. In addition, he was a director of EP Energy Corporation from 2015 to 2017 and Zions First National Bank from 2002 to 2015. Mr. Rattie previously served as Chairman of the Interstate Natural Gas Association of America and was a director of the National Petroleum Council and the Gas Technology Institute.

**Table of Contents**

**Experience and Qualifications**

**Mary  
P. Ricciardello**

Director since 2007

Age 63

Committees:

Chair, Audit

Governance

Mary P. Ricciardello is a licensed Certified Public Accountant and a financial executive with over 30 years of experience in the energy industry. She brings to the Board her qualifications as a financial expert and her extensive experience in the energy industry and with respect to corporate finance and tax matters.

In 2002, Ms. Ricciardello retired after a 20-year career with Reliant Energy Inc., a leading independent power producer and marketer. She served in various financial management positions with the company, including Comptroller, Vice President and most recently Senior Vice President and Chief Accounting Officer.

**Education**

Ms. Ricciardello holds a bachelor's degree in business administration from the University of South Dakota and a master's degree in business administration with an emphasis in finance from the University of Houston.

In 2017, Ms. Ricciardello completed the NACD Cyber-Risk Oversight Program and earned the CERT\* Certificate in Cybersecurity from Carnegie Mellon University.

**Other Boards and Appointments**

Ms. Ricciardello is currently a director of Noble Corporation where she is the designated financial expert, serves as the audit committee chairperson and is a member of the nominating & governance committee. She also serves on the executive council of the National Association of Corporate Directors (NACD) Tri-Cities Chapter and received the NACD designation Board Leadership Fellow. Ms. Ricciardello previously served on the

Edgar Filing: DEVON ENERGY CORP/DE - Form DEF 14A

boards of the managing member and general partner of EnLink Midstream, LLC and EnLink Midstream Partners, LP, respectively. Ms. Ricciardello was previously a director of US Concrete and Midstates Petroleum Company. Ms. Ricciardello is also an editorial advisor for the Journal of Accountancy.

CERT\*: A division at Carnegie Mellon University's Software Engineering Institute.

**Table of Contents**

**Director Skills and Experience**

The Board is committed to maintaining a diverse and inclusive membership with varying experience, characteristics and expertise that align with our business strategy. The matrix below provides a summary of certain key skills and experience of our Director nominees. Our Director nominees, individually and as a group, possess numerous skills and experience that are highly relevant for an upstream energy company like Devon. Our Director nominees are strategic thinkers with high expectations for Devon's performance and are attuned to the demands of proper Board oversight and good governance practices.

**Additional Skills and Experience**

Six of our nominees have an educational background or work experience in petroleum engineering or other engineering professions.

Five of our nominees have experience with technology or cybersecurity.

Eight of our nominees have experience in regulatory and policy matters.

Three of our nominees have an educational background or work experience with environmental matters.

All of our nominees have experience in corporate governance and risk management.

**TENURE**

**DIVERSITY**

**INDEPENDENCE**

The tenure of our Director nominees reflects a balance of experience and fresh perspectives.

We approached our Director nominees to voluntarily self-disclose their race, ethnicity and gender. Of the responses we received, three of our 11 Director nominees are considered diverse.

Ten of Devon's 11 Director nominees qualify as independent under NYSE standards and U.S. Securities and Exchange Commission (SEC) regulations.

\* Tenure calculated as of the date of this Proxy Statement.

\* Independence reflected as of the date of this Proxy Statement.

16

**Commitment Runs Deep**

**Table of Contents**

Our Board has nominated eleven directors for election at the Annual Meeting. Each Director will serve for a term ending at the next Annual Meeting and until his or her successor is duly elected and qualified, subject to such Director's earlier death, disqualification, resignation or removal. Nine of the nominees are currently Devon Directors and were elected by stockholders at the 2018 Annual Meeting. Ann G. Fox and Keith O. Rattie, neither of whom currently serve as a Director of the Company, have also been nominated for election at the Annual Meeting. A third-party search firm recommended Ms. Fox and Mr. Rattie to the Governance Committee for consideration as Director candidates for the Board.

Within each nominee's biography and the matrix above, we have highlighted the notable skills and qualifications that contributed to his or her selection as a nominee to our Board.

We have no reason to believe that any of the nominees for Director will be unable to serve if elected. However, if any of these nominees becomes unavailable, the persons named in the proxy intend to vote for any alternate designated by the current Board. Proxies cannot be voted for a greater number of persons than the nominees named.

**Table of Contents**

**GOVERNANCE COMMITTEE REPORT**

The Governance Committee is currently comprised of five independent Directors and operates under a written charter approved by the Board of Directors. The Governance Committee Charter may be viewed at [www.devonenergy.com](http://www.devonenergy.com).

**Corporate Governance**

The Governance Committee plays a leadership role in shaping the Company's corporate governance. It periodically reviews the Company's corporate governance practices along with best practices followed by other companies to maintain a corporate governance framework for the Company that is effective and functional and that addresses the interests of the Company's stakeholders. Highlights of our corporate governance framework are:

Annual Election of all Directors;

Majority Voting in Uncontested Elections;

Independent Lead Director;

Executive Sessions of Independent Directors;

Stockholder Right to Call a Special Meeting;

Proxy Access Right; and

Board Participation in Succession Planning.

Additional corporate governance standards that have been approved by the Board are reflected in the:

Corporate Governance Guidelines;

Charters for each of the Board's Committees;

Code of Business Conduct and Ethics for all Directors, officers and employees; and

Code of Ethics for the CEO, CFO and CAO.

The standards reflected in these documents implement and strengthen the Company's corporate governance practices. These documents and others related to corporate governance are available at [www.devonenergy.com](http://www.devonenergy.com).

### **Board of Director Nominations**

The Governance Committee is responsible for nominating qualified candidates to serve on the Board of Directors and reviewing their qualifications with the Board, taking into account the composition and skills of the entire Board and specifically ensuring a sufficient number of the members of the Board are financially literate.

The Board takes reasonable steps to ensure that a diverse group of qualified candidates are in the pool from which the nominees for the Board are chosen. The Governance Committee may, at its discretion, seek third-party resources to assist in the process and make final director candidate recommendations to the Board. The Board considered the experience, qualifications, attributes and



**Table of Contents**

skills of each of the nominees for Director at the 2019 Annual Meeting. As identified in our Corporate Governance Guidelines, the basic qualifications that the Governance Committee looks for in a Director include such factors as:

integrity and accountability;

informed judgment;

peer respect; and

high performance standards.

Following a Director's election to the Board, the Corporate Governance Guidelines provide for:

mandatory retirement at the Annual Meeting immediately following the 73<sup>rd</sup> birthday of a Director;

ownership of Devon common stock equal to five times the Director's annual retainer to be reached by the end of a five-year period after their election along with a holding requirement for those who have yet to meet the ownership requirement;

a recommendation that a Director not serve on more than four public company boards in addition to serving on the Company's Board;

a requirement that a nominee for Director in an uncontested election submit an offer of resignation to the Governance Committee within 90 days of the date of the election if the nominee fails to receive a greater number of votes cast for such nominee's election than the votes cast withheld in such nominee's election. The Governance Committee will then consider all of the relevant facts and circumstances and recommend to the full Board the action to be taken with respect to the offer to resign;

approval of the Governance Committee to serve as a director, officer or employee of a competitor of the Company; and

notification to the Chairman of the Board and Chairman of the Governance Committee upon the acceptance of a directorship of any other public, private or non-profit company or any assignment to the audit or compensation committees of the board of any public, private or non-profit company.

The Governance Committee considers nominees recommended by stockholders and gives appropriate consideration in the same manner as given to other nominees. Stockholders who wish to submit recommendations for director nominees for election at our 2020 Annual Meeting of Stockholders may do so by submitting such nominee's name in writing, in compliance with the procedures required by our Bylaws, to the Governance Committee of the Board of Directors, Attention: Chairman, c/o Office of the Corporate Secretary, Devon Energy Corporation, 333 W. Sheridan Avenue, Oklahoma City, Oklahoma 73102. Such a recommendation must be received between February 6, 2020 and March 7, 2020 in order to be considered a timely notice. The stockholder's notice must contain, among other things:

all information that is required to be disclosed with respect to such person being nominated pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including such person's written consent to being named in the Proxy Statement as a nominee and to serving as a Director, if elected;

**Table of Contents**

the name and address of the stockholder giving the notice and the beneficial owner;

the class and number of shares of our stock that are owned beneficially and of record by the stockholder giving the notice and the beneficial owner;

whether and the extent to which any hedging or other similar transaction has been entered into by or on behalf of the stockholder or beneficial owner;

a description of all arrangements or understandings between the stockholder giving the notice and any other person or persons (including their names) in connection with the nomination;

a representation that the stockholder intends to appear in person or by proxy at the 2020 Annual Meeting to bring such business before the meeting; and

an undertaking by the stockholder giving the notice to update the information required to be included in the notice.

With the Company's fundamental corporate governance practices firmly in place and regularly evaluated, the Governance Committee is prepared to respond quickly to new regulatory requirements and emerging best practices. The Governance Committee intends to continue to require an annual evaluation of the effectiveness of the Board and its Committees to enable the Company to maintain corporate governance best practices.

*Robert A. Mosbacher, Jr., Chairman*

*Barbara M. Baumann*

*Robert H. Henry*

*John Krenicki Jr.*

*Mary P. Ricciardello*

**Practices for Considering Diversity**

The Charter of the Governance Committee provides that the Committee shall periodically review the appropriate skills and characteristics of members of the Board in the context of the then-current composition of the Board. This assessment includes the following factors: diversity (including diversity of skills, background and experience); business and professional background; financial literacy and expertise; availability and commitment; independence;

and other criteria that the Committee or the full Board finds relevant. When searching for new director nominees, the Committee, as well as any third-party search firm that it engages, is committed to considering qualified candidates with a diversity of experience and perspective, including diversity with respect to areas of expertise, gender, race, ethnicity, experience and geography.

**Table of Contents**

Our Board of Directors met nine times in 2018. All Directors attended at least 92% of the total meetings of the Board of Directors and the respective Committees on which they served.

The Board expects our Directors to attend our Annual Meetings of Stockholders. All Directors attended the 2018 Annual Meeting.

Copies of the following governance documents are available at [www.devonenergy.com](http://www.devonenergy.com) and in print to any stockholder upon request:

Certificate of Incorporation;

Bylaws;

Corporate Governance Guidelines;

Code of Business Conduct and Ethics;

Code of Ethics for Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Accounting Officer (CAO); and

Anti-Corruption Policy and Procedures.

Amendments to and waivers from any provision of the Code of Ethics for the CEO, CFO, and CAO will be posted on our website.

**Table of Contents**

**Committees**

The Board of Directors has four standing Committees: Audit, Compensation, Governance and Reserves. The Charters for these Committees are available on the Company's website, [www.devonenergy.com](http://www.devonenergy.com). The following table shows each Committee's current membership, function and the number of meetings each Committee held in 2018:

<sup>1</sup> Chairman

<sup>2</sup> Audit Committee financial expert

22

**Commitment Runs Deep**

**Table of Contents**

<sup>1</sup> Chairman

23

**Commitment Runs Deep**

## **Table of Contents**

### **Director Independence**

The Company's Corporate Governance Guidelines provide that an independent director is a director who meets the NYSE definition of independence, as determined by the Board. In making this determination, the Board considers transactions and relationships between each Director or any member of the Director's immediate family and the Company, our subsidiaries and affiliates. The Board has affirmatively determined that (i) each of the current Directors, (ii) each Director nominee (iii) and each person who served as a Director during 2018, with the exception of John Richels and David A. Hager, was or is an independent Director as defined by the standards for director independence established by applicable laws, rules, and listing standards, including, without limitation, the standards for independent directors established by the NYSE and the SEC, has or had no material relationship with us that would interfere with the exercise of independent judgment and, therefore, is or was independent under our Corporate Governance Guidelines and the standards established by the NYSE.

In evaluating whether Ms. Fox is independent, the Board considered that Ms. Fox serves as Chief Executive Officer, President and Director of Nine Energy Services, Inc. (Nine), which provides services to Devon. The Board considered the nature and relative size of the services, the lack of Ms. Fox's personal involvement in such transactions and the routine commercial nature of the services. In making its independence determination, the Board also took into account that Devon's payments to Nine amounted to less than 2% of Nine's consolidated gross revenues during each of the last three fiscal years and were made in the ordinary course of business. Based on these factors, the Board determined that Ms. Fox does not have a direct or indirect material interest in such transactions and that such transactions do not impair Ms. Fox's independence.

In evaluating whether Mr. Rattie is independent, the Board considered that Mr. Rattie is a Director of Select Energy Services, Inc. (Select), a leading provider of water-management solutions that provides services to Devon. The Board considered the nature and relative size of the services, the lack of Mr. Rattie's personal involvement in such transactions and the routine commercial nature of the services. In making its independence determination, the Board also took into account that Devon's payments to Select amounted to less than 2% of Select's consolidated gross revenues during each of the last three fiscal years and were made in the ordinary course of business. Based on these factors, the Board determined that Mr. Rattie does not have a direct or indirect material interest in such transactions and that such transactions do not impair Mr. Rattie's independence.

### **Related Person Transactions**

The Company maintains a policy concerning related person transactions as defined by the SEC. Related persons include the Company's directors and executive officers and their immediate family members and beneficial owners of more than 5% of the Company's common stock.

The Board's Audit Committee considers information about transactions involving related persons. If the transaction at issue involves a member of the Audit Committee, or a family member of a Committee member, then that member of the Committee would not participate in discussions. In the event the Committee concludes that a related person has a material interest in any Company transaction, the Committee then reviews the transaction to determine whether to approve or ratify it. Any transaction that meets the monetary threshold under the SEC rules and is determined to have



a direct or indirect material benefit to a related party would be disclosed in accordance with SEC rules. Pursuant to this review and approval process, the Audit Committee is disclosing the transactions described in the following paragraphs.

## **Table of Contents**

The son of Tony D. Vaughn, Chief Operating Officer, is employed by the Company as a Manager in Supply Chain. His total 2018 taxable compensation, including salary, bonus and stock grants, was approximately \$186,000. Mr. Vaughn's son-in-law was also employed by the Company as an Energy Marketing Professional until November 2018. His total 2018 taxable compensation, including salary, bonus and stock grants, was approximately \$134,000. The compensation for both Mr. Vaughn's son and Mr. Vaughn's son-in-law was commensurate with the compensation provided to similarly situated employees of the Company and was determined in accordance with the Company's standard human resources policies and procedures. Mr. Vaughn was not involved in the evaluation of his son's or his son-in-law's performance or compensation.

The son of David A. Hager, President and Chief Executive Officer, is employed by the Company as an Evaluation and Planning Professional. His total 2018 taxable compensation, including salary, bonus and stock grants, was approximately \$132,000. This compensation was commensurate with the compensation provided to similarly situated employees of the Company and was determined in accordance with the Company's standard human resources policies and procedures. Mr. Hager was not involved in the evaluation of his son's performance or compensation.

## **Leadership Structure**

As stated in the Company's Corporate Governance Guidelines, the Board reserves the right to determine, from time to time, how to configure the leadership of the Board and the Company in the way that best serves the Company. The Board specifically reserves the right to vest the responsibilities of Chairman of the Board and CEO in the same or in different individuals. The Board currently has no fixed policy with respect to combining or separating the positions of Chairman of the Board and CEO.

John Richels serves as Chairman of the Board. David A. Hager serves as President and CEO. The structure has fostered consensus building and tactical execution of a Board-approved vision and strategy at the top levels of the Company, which we believe promotes long-term stockholder value. The Board believes this structure has been in the Company's best interest; however, with Mr. Richels' retirement at the Annual Meeting, the Board expects to adopt an approach that will lead to an independent Director serving as Chairman.

## **Lead Director**

The Board has an independent Lead Director whose primary responsibility is to preside over the executive session of the Board meetings in which members of management do not participate. The Lead Director also performs other duties that the Board may from time to time delegate to assist the Board in the fulfillment of its responsibilities. Robert A. Mosbacher, Jr. has served as Lead Director since June 2015. In 2018, Mr. Mosbacher, as Lead Director, presided over four executive sessions of the Board. In the event the Board appoints an independent Chairman, the position of Lead Director will be discontinued.

## **Board Involvement in Risk Oversight**

The full Board has primary responsibility for risk oversight, which includes, among other things, determining whether the Company's risk-management programs are appropriately designed and implemented in light of the Company's

material risks. To assist it in this role, the Board has delegated to the four standing Board committees certain matters relating to the risks inherent in

**Table of Contents**

the committees' respective areas of oversight, with each committee regularly reporting to the full Board. Our management team is, in turn, responsible for executing the directives of the Board and its committees with respect to the Company's risk management programs, including by overseeing and reporting on Devon's day-to-day efforts to manage risk.

Devon employs a variety of governance and analytical measures to identify and evaluate the risks to our business. We use an enterprise-wide risk management framework that includes an annual analysis of the top risks to the Company. This analysis asks the Board, management and certain internal subject matter experts to consider the likelihood that certain risks could result in an impact to the Company and to identify, among other things, the Company's level of preparedness for those risks. The Board and management then use the results from this analysis and other exercises to determine and prioritize the material risks to our business. For a more detailed discussion of the material risks of the Company, please see our Annual Report on Form 10-K for the year ended December 31, 2018.

Cybersecurity risk is an area of increasing focus for our Board, particularly as more and more of our operations rely on digital technologies. To mitigate this risk, Devon has adopted an information security program, which uses sophisticated technology and processes and is aligned with the National Institute of Standards and Technology Cybersecurity Framework for risk management. Our management team provides the Audit Committee and the full Board with regular updates regarding this program, as well as on trends in cyberattack activities and other developments impacting our digital security.

## **Table of Contents**

The Board believes it is important to cast a wide net for input to inform its decision making and considers input from stockholders to be critical. Accordingly, the Board maintains a number of ways to receive feedback from stockholders and other stakeholders.

Our Directors attend our Annual Meeting of Stockholders.

Our Directors participate in director education programs that include investors and investor commentary.

Our Directors listen to Devon's quarterly conference calls with investors.

Our Board receives updates on the communication received from the Company's reporting helplines.

Our Board values direct stockholder engagement with the Company, which is detailed below.

Devon has a long-standing practice of engagement with our stockholders throughout the year with respect to corporate governance topics and our executive compensation program. Over the past year, Devon has redoubled its efforts to engage with our stockholders, especially with respect to ESG matters. The Company has participated in numerous one-on-one meetings and telephone calls with investors who have a wide range of perspectives. Our Board receives frequent updates on these engagements and has been keen to hear specific input. We value the dialogue and feedback received from this engagement and, as a result, have been responsive by making meaningful changes to our programs and practices.

### ***High-Level Oversight and Coordination of ESG Efforts***

The Company recognizes that ESG matters are important for Devon and Devon's stakeholders. In order to provide support for the Company's on-going efforts in this area, the Company formed an Environmental, Social, and Governance Steering Committee (the ESG Committee) in the fall of 2017. The ESG Committee is comprised of leaders for several key functions at the Company, including environmental, health, and safety, operations, legal, investor relations, government affairs, corporate governance, finance, human resources and communications. A copy of the Committee's charter is available on our web-site. Devon's Executive Committee and Board receive regular updates on our ESG efforts and expect high performance in this area.

### ***Affirmation of Our Practices***

Devon's efforts have resulted in greater disclosure about the Company's existing practices on ESG matters and prompted new and renewed actions by Devon. In each of the past two years, the Company has published a Political Activity and Lobbying Report that, among other things, provides details on Devon's political spending. Another area of stockholder engagement has been on environmental matters, including potential impacts associated with climate change policies. At the end of 2018, we published our first Climate Change Assessment Report. The Report chiefly

evaluates Devon's assets under a range of carbon-constrained scenarios, but also reflects Devon's risk management practices and considers the physical impacts of climate change. Devon also has participated in several surveys and questionnaires, which has resulted in more transparency about Devon's operations and improved the accuracy of Devon's information included in those materials. Major third party surveys on ESG matters validate our performance in this area: as of March 31, 2019, Sustainalytics puts our ESG performance at the 77th percentile compared to our peer group, ISS ranks our combined ESG scores 41% above our peer group and MSCI gives us top half scores.

**Table of Contents**

**Contact Information for Communicating with Board Members**

Any stockholder or other stakeholder may contact any of our Non-Management Directors, including the Lead Director or Non-Management Directors as a group, by:

U.S. mail to the Lead Director or to Non-Management Directors, c/o Office of the Corporate Secretary, Devon Energy Corporation, 333 W. Sheridan Avenue, Oklahoma City, Oklahoma 73102;

calling our Non-Management Directors access line at (866) 888-6179; or

sending an email to [nonmanagement.directors@dvn.com](mailto:nonmanagement.directors@dvn.com).

A Management Director may be contacted by:

U.S. mail to Management Directors, c/o Office of the Corporate Secretary, Devon Energy Corporation, 333 W. Sheridan Avenue, Oklahoma City, Oklahoma 73102;

contacting the Office of the Corporate Secretary at (405) 235-3611; or

sending an email to [CorporateSecretary@dvn.com](mailto:CorporateSecretary@dvn.com).

All calls or correspondence are anonymous and kept confidential to the extent possible. All such communications, other than advertisements or commercial solicitations, will be forwarded to the appropriate Director(s) for review.

**Table of Contents****Director Compensation for the Year Ended December 31, 2018**

Under our Corporate Governance Guidelines, Non-Management Director compensation is determined annually by the Board of Directors acting upon the recommendation of the Governance Committee. Devon employees receive no additional compensation for serving as Directors. The standard arrangement for compensating our Directors consists of cash and equity awards.

**Annual Retainer and Meeting Fees**

The cash component of compensation for our Directors includes retainers and meeting fees. The following table reflects the annual retainers and meeting fees:

<b>Type of Fee</b>	<b>Amount</b>
Annual Retainer for Chairman of the Board	\$ 100,000
Annual Board Retainer	\$ 70,000
Additional Annual Retainer to Chairman of Audit Committee	\$ 25,000
Additional Annual Retainer to the Chairmen of Compensation, Governance and Reserves Committees	\$ 15,000
Additional Annual Retainer for Lead Director	\$ 25,000
Additional Annual Retainer to Audit Committee Members	\$ 2,000
Fee for each Board or Committee Meeting attended in person	\$ 2,000
Fee for each Board or Committee Meeting attended via telephone	\$ 1,000

Each Non-Management Director is reimbursed for out-of-pocket expenses incurred while serving as a Director.

In June 2018, the Board adopted an annual retainer for the Chairman of the Board in the amount of \$100,000. This retainer was established in recognition that Devon's Chairman is expected to attend all Board and most Board Committee meetings and performs many other responsibilities as Chairman. Other than the foregoing, the annual retainers and meeting fees for Non-Management Directors in effect during 2018 remained the same as in 2017.

**Equity Awards to Directors**

The Board also elects to compensate Directors in part through restricted stock awards (RSAs) in order to align the Directors' and stockholders' interests in the long-term performance of the Company. During 2018, Directors were granted RSAs under our 2017 Long-Term Incentive Plan having a value of \$230,000. Stock awards to Non-Management Directors are granted immediately following each Annual Meeting. These RSA shares will fully vest on the first anniversary of the date of grant subject to the Director's continued service to the Company. Cash dividends will accrue on these shares of restricted stock until the shares vest, at which time the dividends will be paid.



**Table of Contents****Total Compensation for Non-Management Directors for 2018**

The following table reflects the fees earned or paid to our Directors for Board service in 2018 and the stock awards granted to our Directors in 2018.

Name	Fees Earned or Paid				Total
	in Cash (\$)	Stock Awards <sup>1</sup> (\$)	Option Awards <sup>2</sup> (\$)	All Other Compensation (\$)	
Barbara M. Baumann	105,000	230,007			335,007
John E. Bethancourt	102,000	230,007			332,007
Robert H. Henry	103,000	230,007			333,007
Michael M. Kanovsky	113,000	230,007			343,007
John Krenicki Jr.	35,333	230,007			265,340
Robert A. Mosbacher, Jr.	141,000	230,007			371,007
Duane C. Radtke	111,000	230,007			341,007
Mary P. Ricciardello	128,000	230,007			358,007
John Richels	113,945	230,007			343,952

<sup>1</sup>The dollar amounts reported in this column represent the grant date fair values of the stock awards made to all Non-Management Directors on June 6, 2018, computed in accordance with FASB ASC Topic 718. The assumptions used to value stock awards are discussed in *Note 4 Share-Based Compensation* of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2018. As of December 31, 2018, our Non-Management Directors held the following unvested stock awards: Ms. Baumann 5,541; Mr. Bethancourt 5,541; Mr. Henry 5,541; Mr. Kanovsky 5,541; Mr. Krenicki 5,541; Mr. Mosbacher 5,541; Mr. Radtke 5,541; Ms. Ricciardello 5,541; and Mr. Richels 15,791.

<sup>2</sup>No option awards were made to Non-Management Directors in 2018. As of December 31, 2018, our Non-Management Directors held the following outstanding and unexercised option awards: Mr. Henry 6,000; Mr. Kanovsky 6,000; Mr. Mosbacher 6,000; Mr. Radtke 6,000; Ms. Ricciardello 6,000; and Mr. Richels 114,175.

**Changes to Director Compensation**

The Board of Directors determined that the annual retainers and meeting fees would remain the same in 2019 as they were in 2018 with no changes. The Governance Committee obtained a survey prepared by an external compensation consultant in connection with its review of the overall Board compensation and compensation elements in connection with making this determination.

**Compensation Committee Interlocks and Insider Participation**

During 2018, Messrs. Bethancourt, Mosbacher and Radtke served on the Compensation Committee. Following his election to the Board in June 2018, Mr. Krenicki joined the Committee. Throughout 2018, the Compensation Committee was solely comprised of independent Directors with no interlocking relationships as defined by the SEC.

**Table of Contents**

The Audit Committee is currently comprised of four independent Directors. The Board and the Audit Committee believe that the Audit Committee's current membership satisfies the rules of the NYSE and the SEC that govern audit committee composition, including the requirement that audit committee members all be independent directors, as that term is defined under the listing standards of the NYSE, and the requirement that at least one member of the Audit Committee is a financial expert. The Audit Committee operates under a written charter approved by the Board of Directors. The Audit Committee Charter is available at [www.devonenergy.com](http://www.devonenergy.com).

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the preparation of the financial statements and the establishment and maintenance of the system of internal controls. This system is designed to provide reasonable assurance regarding the achievement of objectives in the areas of reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. In fulfilling its oversight responsibilities, the Audit Committee reviewed with management its internal controls over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board and the audited financial statements in the Annual Report. This review included a discussion of the quality and the acceptability of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

In fulfilling its duties during 2018, the Audit Committee:

reviewed with the independent auditors their opinion on the conformity of the Company's audited financial statements with U.S. generally accepted accounting principles and the effective operation of the Company's internal controls over financial reporting;

reviewed with the independent auditors their judgment as to the quality and the acceptability of the Company's accounting principles and other matters;

discussed with the independent auditors other matters under generally accepted auditing standards, including Auditing Standards No. 1301, Communications with Audit Committees;

discussed with the independent auditors the auditors' independence, including the matters in the written disclosures and the letter received from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence;

discussed with the independent auditors the overall scope and plans for their audit; and

met with the independent auditors, with and without management present, to discuss the results of their audit and the overall quality of the Company's financial reporting.

**Table of Contents****Fees to Independent Auditor**

Under the terms of its Charter, the Audit Committee has the responsibility to approve the fees paid to the independent auditors. For the years ended December 31, 2017 and December 31, 2018, the following fees were paid to KPMG LLP:

	<b>2018</b>	<b>2017</b>
Audit fees <sup>1</sup>	\$ 3,353,000	\$ 4,790,000
Audit-related fees <sup>2</sup>	284,500	260,000
Tax fees <sup>3</sup>	60,000	51,000
All other fees		
<b>Total</b>	<b>\$ 3,697,500</b>	<b>\$ 5,101,000</b>

<sup>1</sup> Audit fees included services for the audits of the Company's financial statements and the effective operation of its internal controls over financial reporting. In 2017, Devon changed its method of accounting for oil and gas exploration and development activities from the full cost method to the successful efforts method. This policy change required Devon to recast its financial statements using the successful efforts method for all periods since Devon's inception and required KPMG LLP to report on the two recast years included in the three-year period ended December 31, 2017. Accordingly, the higher audit fees in 2017 relate to the additional audits associated with the accounting change. KPMG LLP also serves as the independent auditors for EnLink Midstream, LLC and EnLink Midstream Partners, LP (collectively, "EnLink"). In July 2018, Devon sold its ownership interests in EnLink. No fees for the audits of EnLink are included in the table above.

<sup>2</sup> Audit-related fees consisted principally of fees for audits of financial statements of certain of the Company's affiliates and subsidiaries. No audit-related fees (if any) incurred by EnLink are included in the table above.

<sup>3</sup> Tax fees consisted of tax compliance and tax consulting fees. No tax fees (if any) incurred by EnLink are included in the table above.

**Audit Committee Pre-Approval Policies and Procedures**

The Audit Committee has pre-approval policies and procedures related to the provision of audit and non-audit services. Under these procedures, the Audit Committee pre-approves both the type of services to be provided by KPMG LLP and the estimated fees related to these services. During the approval process, the Audit Committee considers the impact of the types of services and the related fees on the independence of the auditors. The services and fees must be deemed compatible with the maintenance of the auditors' independence, including compliance with SEC rules and regulations.

All of the 2018 and 2017 audit and non-audit services provided by KPMG LLP were approved by the Audit Committee. The non-audit services that were approved by the Audit Committee were also reviewed to ensure compatibility with maintaining the auditors' independence, and the Audit Committee determined the auditors' independence was not impaired.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 that has been filed with the SEC.

*Mary P. Ricciardello, Chairperson*

*Barbara M. Baumann*

*Robert H. Henry*

*Michael M. Kanovsky*

**Table of Contents**

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent auditing firm retained to audit the Company's financial statements. To carry out this responsibility, the Audit Committee engages in a comprehensive annual evaluation of the independent auditor's qualifications, performance and independence; considers whether the auditing firm should be rotated, including the advisability and potential impact of selecting a different independent registered public accounting firm and adopting a policy of regular rotation; and negotiates the audit fees associated with the Company's retention of the independent auditing firm. The Audit Committee has appointed KPMG LLP (KPMG) to serve as our independent auditing firm for 2019.

In accordance with SEC rules and KPMG policies, audit partners are subject to rotation requirements to limit the number of consecutive years an individual partner may provide service to our Company. For lead and concurring audit partners, the maximum number of consecutive years of service in that capacity is five years. The selection of the Company's lead audit partner pursuant to this rotation policy involves a rigorous process, including interviews of potential audit partner candidates with the Audit Committee.

The Audit Committee and the Board believe that the continued retention of KPMG as our independent registered public accounting firm is in the best interest of the Company and our stockholders. In furtherance of its commitment to corporate governance practices, the Board is asking our stockholders to ratify the selection of KPMG as our independent registered public accounting firm for 2019. In the event that our stockholders fail to ratify the appointment of KPMG, the Audit Committee will consider the selection of a different independent auditing firm for 2020.

Representatives of KPMG will be present at the Annual Meeting to answer questions. They also will have the opportunity to make a statement if they desire to do so.

**Table of Contents**

The Reserves Committee is currently comprised of three independent Directors and operates under a written charter approved by the Board of Directors. The Reserves Committee Charter is available at [www.devonenergy.com](http://www.devonenergy.com). The Reserves Committee oversees, on behalf of the Board, the integrity of the Company's oil, bitumen, natural gas and natural gas liquids reserves data. Management and our independent engineering consultants have the primary responsibility for the preparation of the reserves reports. In fulfilling its oversight responsibilities, the Reserves Committee reviewed with management the internal procedures relating to the disclosure of reserves in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, having regard to industry practices and all applicable laws and regulations. In fulfilling its duties during 2018, the Reserves Committee:

approved Deloitte LLP and LaRoche Petroleum Consultants, Ltd. as the Company's independent engineering consultants for the year ended December 31, 2018;

reviewed with the independent engineering consultants the scope of the annual review of the Company's reserves;

met with the independent engineering consultants, with and without management, to review and consider the evaluation of the reserves and any other matters of concern with respect to the evaluation of the reserves;

reviewed and approved any statement of reserves data or similar reserves information, and any report of the independent engineering consultants regarding such reserves to be filed with any securities regulatory authorities or to be disseminated to the public;

reviewed the internal procedures relating to the disclosure of reserves; and

reviewed the qualifications and independence of the independent engineering consultants prior to their appointment and throughout their engagement.

In reliance on the reviews and discussions referred to above, the Reserves Committee recommended to the Board, and the Board approved, that the reserves information be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 that has been filed with the SEC.

*Michael M. Kanovsky, Chairman*

*John E. Bethancourt*

*Duane C. Radtke*





**Table of Contents**

*Our Officers*

Information concerning our executive officers is set forth below. Information concerning David A. Hager, our President and Chief Executive Officer, is set forth under the caption *Our Nominees for Election*.

**Jeffrey L. Ritenour, Executive Vice President and Chief Financial Officer**

Mr. Ritenour, 45, was elected to the position of Executive Vice President and Chief Financial Officer in April 2017. Mr. Ritenour joined the Company in 2001 and has served in various other positions at Devon, including most recently as Senior Vice President Corporate Finance, Investor Relations and Treasurer. Prior to joining Devon, Mr. Ritenour was an auditor with the firm of Ernst and Young. He earned both a bachelor's degree in accounting and a master's degree in business administration from the University of Oklahoma. Mr. Ritenour previously served on the boards of the managing member and general partner of EnLink Midstream, LLC and EnLink Midstream Partners, LP, respectively.

**Lyndon C. Taylor, Executive Vice President and General Counsel**

Mr. Taylor, 60, was elected to the position of Executive Vice President and General Counsel in 2007 and has been with the Company since 2005. He served as Deputy General Counsel from the time he joined the Company in 2005 until 2007. Prior to joining Devon, Mr. Taylor was with Skadden, Arps, Slate, Meagher & Flom LLP for 20 years, most recently as managing partner of the energy practice in Houston. He is admitted to practice law in Oklahoma and Texas. Mr. Taylor earned a bachelor's degree in industrial engineering from Oklahoma State University and a juris doctorate degree from the University of Oklahoma. Mr. Taylor previously served on the boards of the managing member and general partner of EnLink Midstream, LLC and EnLink Midstream Partners, LP, respectively.

**Tony D. Vaughn, Chief Operating Officer**

Mr. Vaughn, 61, was elected to the position of Chief Operating Officer in February 2016. From 1999 until February 2016, Mr. Vaughn served in various other positions at Devon, including most recently as Executive Vice President Exploration and Production. Before joining Devon in 1999, Mr. Vaughn spent 12 years with Kerr-McGee Corporation, most recently as manager of the Rocky Mountain District. Before joining Kerr-McGee, Mr. Vaughn worked as an operations engineer for Amoco Production Company. He earned a bachelor of science degree in petroleum engineering from the University of Tulsa and a bachelor of science degree in business management from Oral Roberts University. He is a member of the Society of Petroleum Engineers. Mr. Vaughn previously served on the boards of the managing member and general partner of EnLink Midstream Partners, LP, respectively.



**Table of Contents**

In accordance with Section 14A of the Securities Exchange Act of 1934, we are asking our stockholders to vote to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement. At the 2017 Annual Meeting, you approved our proposal to provide you with this opportunity on an annual basis. This vote is not intended to address any specific item of compensation, but rather our overall compensation policies and practices relating to our named executive officers as disclosed in our Compensation Discussion and Analysis, the Summary Compensation Table, and other related tables and narrative disclosure. Accordingly, we will ask our stockholders to vote **FOR** the following resolution at the 2019 Annual Meeting:

***RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2019 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2018 Summary Compensation Table and the other related tables and narrative disclosure.***

This vote, normally called a "say-on-pay" vote, is advisory, and therefore not binding on the Company, the Compensation Committee, or the Board. The Board will, however, as it has in prior years, take into account the outcome of the vote when considering future compensation arrangements.

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

<b><u>Introduction</u></b>	38
<i><u>Purpose of Compensation Discussion and Analysis</u></i>	38
<i><u>Named Executive Officers</u></i>	38
<b><u>Executive Summary</u></b>	38
<i><u>Company Performance and Pay Alignment</u></i>	38
<i><u>2018 Company Performance Highlights</u></i>	39
<i><u>Compensation Philosophy and Objectives</u></i>	40
<i><u>What Devon Does and Doesn't Do</u></i>	41
<i><u>Response to Stockholder Feedback</u></i>	42
<b><u>Compensation Decisions for 2018</u></b>	43
<i><u>Overview of Pay Decisions</u></i>	43
<i><u>Base Salary</u></i>	44
<i><u>Annual Performance Cash Bonus</u></i>	44
<i><u>Long-Term Incentives</u></i>	47
<i><u>Snapshot Comparison of Compensation Decisions Made Following 2018 and 2017</u></i>	49
<b><u>Comparison of Year-Over-Year Total Direct Pay Awarded</u></b>	49
<i><u>Individual NEO Total Direct Pay Awarded</u></i>	49
<b><u>Effect of Company Performance on President and CEO Realizable Pay</u></b>	49
<b><u>Compensation Process Background</u></b>	51
<i><u>Role of the Committee</u></i>	51
<i><u>Role of the Compensation Consultant</u></i>	51
<i><u>Use of Peer Groups</u></i>	51
<i><u>Tally Sheet Review</u></i>	52
<b><u>Additional Benefits and Compensation Information</u></b>	52
<i><u>Retirement Benefits</u></i>	52
<i><u>Other Benefits</u></i>	53
<i><u>Post-Termination or Change-in-Control Benefits</u></i>	53
<i><u>Stock Ownership Guidelines</u></i>	54
<i><u>Hedging Guidelines</u></i>	54
<i><u>Compensation Program and Risk-Taking</u></i>	55
<i><u>Policy for Recovery of Compensation (Clawback Policy)</u></i>	55

**Table of Contents****Introduction*****Purpose of Compensation Discussion and Analysis***

This Compensation Discussion and Analysis (CD&A) outlines Devon's compensation philosophy and describes the material components of the Company's executive compensation program for its named executive officers. This CD&A also summarizes decisions the Compensation Committee of the Board of Directors (the Committee) made under the program and the processes utilized and factors considered in making those decisions. In particular, this CD&A focuses on the decisions the Committee made during its January 2019 meetings at which the Committee evaluated the Company's performance in 2018 as well as each executive officer's performance for the year, including the performance of the business or organizational unit for which the officer was responsible. At the January 2019 meetings, the Committee considered prospective salary adjustments, cash bonuses for 2018 performance (Performance Bonus) and long-term equity incentive awards (LTI). Additional information about the compensation of the named executive officers is provided in the 2018 Summary Compensation Table (the SCT) and other compensation tables that follow this CD&A. Pursuant to SEC rules, the outcome of the Committee's January 2019 decisions on base salaries for 2019 and LTI will appear in next year's SCT while the Performance Bonus is shown in the Non-Equity Incentive Plan Compensation column of this year's SCT.

***Named Executive Officers***

The named executive officers for 2018 are the following individuals:

<b>Executive</b>	<b>Position</b>
David A. Hager	President and Chief Executive Officer
Jeffrey L. Ritenour	Executive Vice President and Chief Financial Officer
Tony D. Vaughn	Chief Operating Officer
Lyndon C. Taylor	Executive Vice President and General Counsel
R. Alan Marcum	Former Executive Vice President, Administration

Although Mr. Alan Marcum left the Company in August 2018, SEC rules require Devon to include him as a named executive officer in this CD&A. The SCT and other tables that follow this CD&A reflect Mr. Marcum's compensation for 2018 prior to his departure and the severance package he received upon his departure. Mr. Marcum was not part of the Committee's year-end performance and pay decision-making processes. Therefore, minimal references are made to Mr. Marcum in the CD&A.

**Executive Summary*****Company Performance and Pay Alignment***

Devon was formed in 1971 and has been publicly held since 1988. Recently, the Company has successfully transitioned to a liquids-rich (oil and natural gas liquids), higher-margin, onshore North American production base and

progressively improved its portfolio of assets. Although our top U.S. oil growth plays in the STACK and Delaware continue to improve with our successful drilling programs, the prolonged weakness in commodity prices experienced during 2018 presented extraordinary challenges for many metrics utilized in assessing Company performance. The Company took significant steps to monetize non-core assets, reduce long-term debt and re-align its overall cost structure, including a strategic exit from the Company's entire midstream business ownership for \$3.125 billion. The Company expects to continue to evolve and achieve additional efficiencies across its portfolio into 2019.

**Table of Contents**

The Committee determined that cash return on capital employed and all-in rate of return will continue to be among the metrics used to determine cash bonuses for 2019 performance. The Company believes that returns measures, in particular cash return on capital employed, correlate with total stockholder returns over the medium to long-term. All-in rate of return provides the Company data on its capital allocation decisions and subsequent value creation. It is an asset-driven measure that focuses on the multi-year well-head rate of return (inclusive of the overhead costs associated with the business) of Devon's drilling program.

The structure of the Company's compensation program coupled with the Committee's processes and decision-making ensure a strong tie between Company performance and executive pay. This is especially illustrated by the compensation outcomes for Devon's executives over the last three years. The chart below, Summary of President and CEO Pay, spotlights the relationship between total stockholder return (which is measured by stock price changes and dividend payment value (TSR) and the realizable pay of Devon's CEO based on the pay the Committee has awarded to him. Additional comparative detail about the tie between Company performance and named executive officer pay may be found below in the sections titled Snapshot Comparison of Compensation Decisions Made Following 2018 and 2017 and Effect of Company Performance on President and CEO Realizable Pay found on page 49.

**Summary of President and CEO Realizable Pay<sup>1</sup>**

<b>Year</b>	<b>Total Stockholder Return for the Year</b>	<b>Salary Increase Awarded Following Year End</b>	<b>Performance Bonus Awarded, % of Target, Following Year End</b>	<b>Long-Term Incentives Awarded, % of Target, Following Year End</b>	<b>Realizable Pay Relative to Target Measured at Year End<sup>2</sup></b>
2018	-45.1%	No salary increase	90%	100%	-52.1%
2017	-8.8%	No salary increase	115%	100%	-14.4%
2016	+44.7%	No salary increase	130%	100%	+30.1%

<sup>1</sup> For a discussion of what constitutes realizable pay for this purpose, see the explanatory notes to the President and CEO Realizable Pay chart on page 50.

<sup>2</sup>For additional detail on the percentages reflected in this column, see page 49 of this proxy statement for 2018, page 49 of the 2018 proxy statement for 2017, page 49 of the 2017 proxy statement for 2016, in each case in the section titled Effect of Company Performance on President and CEO Realizable Pay.

***2018 Company Performance Highlights***

Devon believes setting challenging annual performance goals is key to continuous improvement in the returns it achieves on its assets and capital investments. In 2018, the Company met several of its targets for financial and operational goals. However, as reflected in the Company's performance scorecard (see pages 45 and 46) and due in



large part to commodity price challenges and disappointing results on TSR, Devon's performance score came in at 90% of target for 2018. Even with these challenges, the actions and leadership of the executives during the year led to many achievements. The following performance highlights provide further context for the Committee's considerations with respect to executive compensation for 2018:

Operational and financial achievements

The Company increased STACK and Delaware Basin oil production by 37% as compared to the prior year;

**Table of Contents**

Devon reduced its long-term debt by \$922 million, which is expected to reduce annualized financing costs by \$66 million;

Devon repurchased \$3.0 billion of its common stock, representing a 14% reduction in the total amount of outstanding stock, as compared to the prior year;

the Company continued to maintain a strong liquidity position, with cash and capacity under its senior credit facility totaling approximately \$5.3 billion at year end; and

the Company successfully completed approximately \$5.0 billion in asset sales, including a strategic exit from the Company's EnLink midstream business ownership for \$3.125 billion.

**Total stockholder return**

Devon increased its quarterly common stock dividend 33% to \$0.08 per share beginning in the second quarter of 2018; and

during 2018, Devon's stock price reached a high of \$46.54, which was approximately 12.42% above 2017's year-end price, but recorded a TSR of -45.1% for the calendar year.

***Compensation Philosophy and Objectives***

Devon is committed to delivering strong returns on its investments through a highly engaged culture focused on innovation, safety, operational excellence, environmental stewardship and social responsibility. The Company focuses its business on generating operating returns by managing a premier asset portfolio, delivering superior execution and exercising discipline in Devon's capital allocation. Devon also maintains a strong commitment to financial strength and flexibility through all commodity price cycles, as reflected in the Company's investment grade credit ratings.

This strategy requires a compensation philosophy that recognizes near-term operational and financial success as well as decision-making that supports long-term value creation. For these reasons, the Committee utilizes a range of measures in its compensation program and, when appropriate, adds new goals year-over-year to motivate and reward executives for improved performance over the contemplated time horizon. Overall, the value of an executive officer's total compensation is weighted in favor of long-term incentives in order to focus the officer's efforts on the long-term performance of the Company and to encourage the executive to remain at the Company.

The objectives of Devon's compensation program are to:

motivate and reward executives to drive and achieve the Company's goal of increasing stockholder value;

allocate incentives for the achievement of near-term and long-term objectives, without motivating executives to take excessive risk; and

attract and retain highly trained, experienced, and committed executives who have the skills, education, business acumen and background to lead a large and diversified oil and gas business.

The primary components of Devon's executive compensation program consist of base salary, a performance bonus and LTI. The Committee generally targets each component, as well as the aggregate of the components, at approximately the 50<sup>th</sup> percentile of the Company's peer group.

## **Table of Contents**

Individual compensation levels may vary from these targets based on performance, expertise, experience, or other factors unique to the individual's role within the Company. The Committee also provides retirement and other benefits typical for Devon's peer group.

### *What Devon Does and Doesn't Do*

#### **Good Compensation Governance Practiced by Devon**

**Award Performance-Based LTI** The Company awards half of NEO LTI in the form of performance share units tied to TSR. A 100% of target payout on performance share units requires TSR that exceeds the peer group median. The Company has not awarded stock options in several years.

**Utilize a Quantitative Process for Performance Bonuses** In determining performance bonuses, the Committee assigns a score to the Company's performance on goals set at the beginning of the year. The Committee then calculates a weighted score that determines the amount of any performance bonuses. Each year, the Committee recalibrates the goals to align with performance outcomes that the Committee desires for the year.

**Tie Realizable Pay Opportunities to Company Performance** The Committee regularly reviews the realizable pay of the President and CEO and other executive officers in light of Company performance. This has resulted in pay that aligns with Company performance.

**Require Executives to Hold Devon Stock** Board-adopted guidelines establish robust minimum stock ownership levels for the executive officers.

**Provide for Clawback of Compensation** Pursuant to a Board-adopted policy, the Committee may claw back performance bonuses and LTI if the Company restates its financial statements.

**Interview Executives** On an annual basis, the Committee conducts in-depth, confidential, one-on-one interviews with each executive officer, which is a highly effective tool in the Committee's oversight of the executive compensation program.

#### **Controversial Compensation Governance Not Practiced by Devon**

**Enter into Egregious Employment Agreements** The Company does not enter into contracts containing multi-year guarantees of salary increases or non-performance based bonuses or equity compensation.

**Provide Tax Gross-Ups** Employment agreements do not obligate the Company to make tax gross-up payments in the event of a change in control of the Company.

**Allow Excessive Severance Benefits and/or Liberal Change-in-Control Payments** Employment agreements do not provide cash payments that exceed three times base salary plus target/average/last paid bonus; do not contain liberal change-in-control definitions; and, do not provide severance payments without job loss (i.e., no single trigger cash severance or equity vesting with a change in control).

**Allow Risky Transactions in the Company's Stock** Company policy prohibits the executives from engaging in short-term or speculative transactions or hedging or pledging Devon's common stock.

**Reprice or Replace Underwater Options** The Company does not reprice or replace underwater stock options.

**Permit Abusive Perquisites Practices** Perquisites made available to the executives are limited.

**Table of Contents*****Response to Stockholder Feedback***

Devon conducts investor outreach throughout the year to ensure that management and the Board understand the compensation issues that matter to Devon's stockholders. During 2018, the Company contacted a majority of its 50 largest stockholders and had productive interactions with many stockholders, both inside and outside of that group, including several in-person meetings. The Committee reviews the feedback resulting from these outreach efforts. Devon also considers the results of the most recent advisory vote on executive compensation by Devon's stockholders (say-on-pay vote), which for 2018 reflected that approximately 95% of voting stockholders voted for Devon's executive compensation in 2017.

The chart set forth below highlights compensation program changes made over the past few years. The Committee generally utilizes compensation metrics that the investor community considers most important in valuing the Company, which traditionally have included measures like relative TSR and production growth. In addition to traditional measures, the Company reviews existing metrics in light of developments in pay practices and has been responsive to investor input regarding the addition and deletion of various measures, as seen in the chart below.

<b>Source for Detail</b>	<b>Change in Compensation Practice</b>
2018 Proxy Statement	The scorecard used to determine Bonuses for 2018 performance includes operational and financial measures that reflect the return on Devon's investments.  For 2018, cash return on capital employed and all-in return on capital metrics have been added to the scorecard, oil and gas reserves additions has been removed, and certain other measures have been removed or de-emphasized.
2017 Proxy Statement	The long-term incentive plan approved by stockholders at the Company's 2017 annual meeting (the 2017 LTIP) does not permit the payment of any dividends on restricted stock awards until the underlying shares vest.  The 2017 LTIP provides that shares will not vest in the case of a change in control unless a job loss follows or the acquiring company fails to assume outstanding grants (i.e., no single trigger equity vesting with a change in control).
2016 Proxy Statement	No significant changes made.
2015 Proxy Statement	Since 2015, LTI grant agreements included change-in-control provisions that only permit vesting in the event a job loss follows the change in control or the acquiring company is not listed on a national securities exchange. This practice has now been memorialized in Devon's long-term incentive plan (see references to the 2017 LTIP above).

Stock ownership guidelines for the Company's President and CEO increased the holding requirement from five to six times salary.

Pursuant to stock ownership guidelines, executive officers are required to hold at least one-half of shares received from awards until minimum ownership levels are achieved.

2014 Proxy  
Statement

The Board, at the Committee's recommendation, adopted a clawback policy.

The cumulative effect of a series of modifications to the performance Bonus process resulted in the CD&A incorporating additional details on the specific goals and weightings assigned to performance measures and the overall performance Bonus process.

Performance share units required Devon to achieve superior TSR relative to most peers in order to pay out at target.

**Table of Contents**

<b>Source for Detail</b>	<b>Change in Compensation Practice</b>
2013 Proxy Statement	Pre-set Company performance measures used in determining performance Bonuses were assigned specific weightings.

All LTI awards were performance-based and delivered in the form of performance share units tied to TSR (50%) and performance restricted stock tied to a financial metric (50%), which was a practice the Committee maintained until 2018.

The Committee ceased awarding stock options. Accordingly, no stock options have been granted since the Committee's December 2011 meetings.

**Compensation Decisions for 2018**

*Overview of Pay Decisions*

Because executive officers have the greatest influence over Devon's results, a significant portion of their overall compensation consists of performance bonuses and LTI awards that vary based on performance. This practice is consistent with norms in the oil and gas industry.

As illustrated below, compensation decisions made by the Committee during its January 2019 meetings resulted in awards heavily weighted toward TSR and achievement of other 2018 Company performance measures. Approximately 89% of the value of total direct compensation awarded to the President and CEO and an average of approximately 83% for the other named executive officers were delivered through performance bonuses and LTI aligned with TSR, dependent on 2018 performance, or both.

Each year, the Committee refers to the following factors in considering any compensation decisions for the named executive officers:

Company performance in relation to goals pre-approved by the Committee and the Board of Directors, including the Company's TSR performance as compared to peers;

each named executive officer's individual performance during the year, including the performance of the business or organizational unit for which the officer is responsible;



Devon's compensation philosophy;

confidential interviews conducted by the Committee with each executive officer individually;

input from the Compensation Consultant (see section titled "Role of Compensation Consultant" on page 51 for additional information);

## **Table of Contents**

the Committee's own review of competitive market data; and

the President and CEO's recommendations with respect to the compensation of the other named executive officers.

The Committee regularly reviews the above-listed factors when considering compensation decisions and from time to time changes or supplements its analysis with other factors.

### ***Base Salary***

Base salary typically represents a smaller portion of executive pay than compensation elements that vary year-to-year based on performance. Competitive salaries, however, are vital to ensuring that the Company attracts and retains executives who have a combination of business acumen, significant industry experience and longevity with the Company. In evaluating salary levels each year, the Committee generally considers the following factors:

the competitive position of the executive's base salary compared to similarly situated executives at peer companies;

the scope of responsibility, experience and tenure of the executive and their potential to take on greater or different responsibilities; and

the Company's cost structure.

Based on the foregoing considerations, the Committee determined in its January 2019 meetings that no salary increases were warranted. Please note that the SCT's entries for Salary reflect the salaries received by the named executive officers during 2018. The footnotes that accompany this year's SCT and the discussion of salaries in last year's CD&A provide additional information on salaries in effect for 2018.

### ***Annual Performance Cash Bonus***

In awarding Performance Bonuses, the Committee utilizes a formula that establishes a Performance Bonus target for each named executive officer based on a percentage of his base salary. In establishing Performance Bonus targets, the Committee considers industry benchmarks for the relevant officer position as well as the scope of responsibility associated with the position. For 2018, Performance Bonus targets for named executive officers ranged from 90% to 135% of base salaries.

Performance Bonus payouts depend on the Company's performance in relation to the structured and measurable goals approved by the Board at the beginning of the year and the individual executive's contributions to achievement of those goals. The goals were selected because they are critical to the Company's near-term performance, its prospects

for sustainable growth in returns, and the creation of long-term value for the Company and its stockholders.

The table below provides detail on the Company's performance on the goals set for 2018. As reflected in the table, the Committee assigns a separate weighting to each performance measure in order to reflect the relative importance of those areas for the year. The Committee aggregates the weighted performance score for each measure to arrive at an overall Company performance score.

**Table of Contents**

For operational and financial goals, the Committee generally views (i) a 30% or greater shortfall from a goal as the threshold at which a score of no more than 25% may be assigned for the goal, and (ii) a 30% or greater outperformance on a goal as maximizing performance such that a score of up to 200% could be assigned for the goal. Although the structure of the Performance Bonus process relies on Company performance measures and the application of set formulas to arrive at Performance Bonus amounts, the Committee maintains the authority to adjust the amount of an executive's Performance Bonus within the range of the Bonus pool (0% to 200% of target) based on individual contributions. However, the Committee made no such adjustments for 2018.

					<b>Weighted</b>
<b>Measure</b>	<b>Goal</b>	<b>Outcome</b>	<b>Weight</b>	<b>Score</b>	<b>Score</b>
Cash Return on Capital Employed <sup>1</sup>	20%	22.8%	15%	175%	26.25%
All-In Return on Capital <sup>1</sup>	15%	12.6%	15%	75%	11.25%
	Capital: \$2.558;	Capital: \$2.576;			
Expenditures	LOE: \$1.870;	LOE: \$1.886;	15%	75%	11.25%
	Net G&A: \$694	Net G&A: \$650			
Oil and Gas Production	202 million BOE	195.2 million BOE	15%	75%	11.25%
	Test and move contingent resources: 150	Test and move contingent resources: 248			
Improve the Overall Value of Devon's Risked Resource Portfolio	Evaluate portfolio high grading opportunities: 1,000	Evaluate portfolio high grading opportunities: 1,284	10%	125%	12.50%
Total Stockholder Return <sup>2</sup>	Top half of the peer group on a 1-year basis	1-year TSR ranked 13 <sup>th</sup> out of 15 in relation to the peer group	10%	25%	2.50%
Environmental, Health and Safety <sup>3</sup>	Continuously improve in environmental, health, and safety performance	Met target on Combined Recordable Incident rate; narrowly missed targets for Recordable SIF rate, Vehicle SIF rate and Lost Spill rate	10%	50%	5.00%
			5%	100%	5.00%

Internal and External Stakeholder  
Alignment

Increase stakeholder engagement, alignment, and support to maintain or improve the public policy and business environment in which Devon operates

Improved engagement with local communities and officials; effective oversight and actions taken to provide more engagement and transparency for ESG matters

45

**Commitment Runs Deep**

**Table of Contents**

Measure	Goal	Outcome	Weight	Score	Weighted Score
Learning & People	Improve Devon's ability to perform by advancing a culture of innovation, inclusion, technology, automation, & continuous improvement	Innovation Action Council, Innovation Governance System, IdeaWell established; trained employees on unconscious bias and inclusive behaviors	5%	100%	5.00%
<b>2018 Company Performance Score</b>					<b>90%</b>

<sup>1</sup>Please refer to Appendix A for additional information about Cash Return on Capital Employed and All-In Return on Capital, which are non-GAAP financial measures.

<sup>2</sup>For TSR, the Company is ranked in relation to the 14 peer companies listed under "Use of Peer Groups" on page 51.

<sup>3</sup>The Company's Environmental, Health and Safety goals consisted of (i) employee SIF rate, (ii) contractor SIF rate, (iii) vehicle SIF rate, (iv) lost spill rate and (v) percent of overall contractor spending on Devon's safest contractors. The SIF rate records serious incidents or fatalities.

The performance scorecard reflects that the Company performed well on several operational measures in the challenging commodity price environment of 2018 but also recorded disappointing results on important criteria such as TSR and environmental, health and safety measures.

The following table outlines the calculations made for the Bonuses awarded for 2018<sup>1</sup>:

Executive	2018 Salary <sup>2</sup>	Performance Bonus Target	Company Performance Score	Process Determined Bonus Amount
David A. Hager	\$ 1,275	135%		\$ 1,549
Jeffrey L. Ritenour	\$ 600	90%		\$ 486
		X	X	90% =

Tony D. Vaughn	\$ 800	100%	\$ 720
Lyndon C. Taylor	\$ 650	90%	\$ 527

<sup>1</sup> All dollar amounts in thousands.

<sup>2</sup> Annual base salary rate in effect as of December 31, 2018.

Please note that the SCT's entries for Non-Equity Incentive Plan Compensation in 2018 reflect the annual Performance Bonuses listed under the column above titled Process Determined Performance Bonus Amount.

**Table of Contents*****Long-Term Incentives***

A key element of Devon's compensation program is to reward executive officers for long-term strategic accomplishments and enhancement of long-term stockholder value through equity-based incentives that vest over an extended period of time. LTI compensation plays an essential role in attracting and retaining executive officers and aligns their interests with the long-term interests of Devon's stockholders.

At its January 2019 meetings, the Committee determined that the 2019 awards of LTI should generally continue the past practice of tracking a target at the 50<sup>th</sup> percentile compared to peers. In making this decision, the Committee considered the factors it generally references for compensation decisions and took into account the Company's progress on strategic objectives intended to increase returns on Devon's investments, as well as each executive's leadership in support of such performance.

For Mr. Ritenour, the Committee awarded aggregate LTI valued at \$300,000 more than his awards granted in 2018. With this increase the Committee sought to better align Mr. Ritenour's 2019 LTI awards with competitive norms for his position.

The table below details the awards made to named executive officers. The SCT in next year's proxy statement will reflect the value of these grants as "Stock Awards" for 2019.

**LTI Granted in 2019<sup>1</sup>**

<b>Executive</b>	<b>Item<sup>2</sup></b>	<b>Target</b>		<b>Total</b>
		<b>Restricted Stock</b>	<b>Performance Share Units<sup>3</sup></b>	
David A. Hager	Shares	167,060	167,060	334,120
	Value	\$ 4,250	\$ 4,250	\$ 8,500
Jeffrey L. Ritenour	Shares	49,136	49,136	98,272
	Value	\$ 1,250	\$ 1,250	\$ 2,500
Tony D. Vaughn	Shares	68,790	68,790	137,580
	Value	\$ 1,750	\$ 1,750	\$ 3,500
Lyndon C. Taylor	Shares	49,136	49,136	98,272
	Value	\$ 1,250	\$ 1,250	\$ 2,500

<sup>1</sup> Dollar amounts shown in thousands.

<sup>2</sup>For each named executive officer, the Committee first determines the total value of LTI to be awarded then divides the total value equally between restricted stock and performance share units, rounding up to the next whole share if



needed.

<sup>3</sup>In accordance with applicable accounting requirements, Devon uses a different valuation method in the SCT (in this case, a Monte Carlo simulation) for performance share units than in this table. The Monte Carlo simulation for performance share units, when valued for purposes of inclusion in next year's SCT as compensation for 2019, may require Devon to assign a higher or lower value per unit than the closing price of the Company's stock as of the grant approval date.

At its January 2019 meetings, the Committee certified that the relative total shareholder return for the three-year period of the performance share units ( PSU ) granted in the first quarter of 2016 did not meet the threshold for payment. Pursuant to the grant's terms and the practices and policies of the Committee, the grant was cancelled with no payout or further consideration provided to the executives. Further information about this grant is provided in the Outstanding Equity Awards at Fiscal Year End table below and corresponding footnotes.

**Table of Contents**

At the same meetings in January, the Committee made LTI grants for 2019. The Committee determined that the pursuit of strategic Company goals and creation of stockholder value would best be promoted by linking half the LTI awarded for the year to Company performance and half to long-term stock ownership thereby strengthening the alignment of interests of executives and stockholders. Accordingly, the two types of LTI granted to named executive officers were PSU and RSA, respectively.

The following table describes the purpose and structure of the LTI granted to the named executive officers at the Committee's meetings in January 2019:

<b>Type of LTI Award</b>	<b>Purpose</b>	<b>Additional Background and Detail</b>
Performance Share Units (PSU)	Awards of PSU encourage executives to make decisions and take actions that promote mid-term stockholder return.	<p>Executives may earn between 0% and 200% of the shares underlying the grant based on the Company's TSR relative to companies in the peer group over a three-year performance period (January 1, 2019 through December 31, 2021).</p> <p>Payout will be determined as of the end of the performance period based on actual TSR performance over the period. The grid below further details the relationship between relative performance and payout levels.</p> <p>If the Company's TSR outperforms that of its peers, executives may earn the targeted number of shares (100%) or more. If the Company's TSR is at or below median as compared to peers, executives earn fewer shares than targeted with the potential for no payout.</p>
Restricted Stock Awards (RSA)	<p>Awards of RSA foster long-term stock ownership and strengthen alignment with shareholders.</p> <p><b>The Company's TSR against its peers<sup>1</sup></b></p>	<p>Ownership and alignment is promoted by a four-year vesting schedule that provides for only 25% of the shares underlying the RSA to vest on each anniversary of the grant date.</p> <p><b>Payout percent of shares underlying grant</b></p>

1-3	200%
4	175%
5	150%
6	125%
7	100%
8 (median TSR performance)	90%
9	80%
10	70%
11	60%
12	50%
13-15	0%

<sup>1</sup> The Company and the peer companies listed under "Use of Peer Groups" on page 51 constitute the 15 companies whose TSR will be ranked from highest to lowest to determine share payout under PSU grants.

**Table of Contents*****Snapshot Comparison of Compensation Decisions Made Following 2018 and 2017***

Pursuant to the Company's 2018 performance and pay cycle, the Committee, at its January 2019 meetings, considered salary adjustments, Performance Bonus awards for 2018 and LTI grants. In accordance with SEC guidance, the base salary and LTI grants approved at the meetings will appear in next year's SCT as compensation for 2019, while the Performance Bonuses are reported in this year's SCT as compensation for 2018.

The table below illustrates the total direct compensation awarded by the Committee to the named executive officers in its January 2019 and 2018 meetings, respectively.

**Comparison of Year-Over-Year Total Direct Pay Awarded<sup>1</sup>*****Individual NEO Total Direct Pay Awarded***

Executive	Meeting Year <sup>2</sup>	Base Salary Rate	Performance Cash		Value of Annual LTI Grant <sup>5</sup>	Total Direct Pay Awarded	Change from Prior Year
			Bonus <sup>3</sup> \$	% of Target <sup>4</sup>			
David A. Hager	2019	\$ 1,275	\$ 1,549	90%	\$ 8,500	\$ 11,324	-3.7%
	2018	\$ 1,275	\$ 1,979	115%	\$ 8,500	\$ 11,754	-2.2%
Jeffrey L. Ritenour	2019	\$ 600	\$ 486	90%	\$ 2,500	\$ 3,586	+5.6%
	2018	\$ 600	\$ 595	115%	\$ 2,200	\$ 3,395	-13.7%
Tony D. Vaughn	2019	\$ 800	\$ 720	90%	\$ 3,500	\$ 5,020	-3.8%
	2018	\$ 800	\$ 920	115%	\$ 3,500	\$ 5,220	-9.7%
Lyndon C. Taylor	2019	\$ 650	\$ 527	90%	\$ 2,500	\$ 3,677	-3.2%
	2018	\$ 650	\$ 647	115%	\$ 2,500	\$ 3,797	+6.2%

<sup>1</sup>All dollar amounts shown in thousands.

<sup>2</sup> Meeting Year refers to the timing of the Committee's decision to award or affirm the compensation component in the context of the prior year's company performance and other factors. The applicable year may not align with the amounts shown in the SCT for the respective years due to SEC rules for presentation of data in the SCT as described above the table.

<sup>3</sup>Performance Bonus targets are set as a percentage of base salary in effect as of year-end. Please refer to the section above titled "Annual Performance Cash Bonus" for additional information about the process for 2018.

<sup>4</sup>Performance Bonus targets for the NEOs are as follows (expressed as a percentage of year-end base salary): Mr. Hager - 135%; Mr. Ritenour - 90%; Mr. Vaughn - 100%; and Mr. Taylor - 90%.

<sup>5</sup>All amounts calculated using the face-value method (value divided by the closing price of the Company stock as of the grant effective date).

#### **Effect of Company Performance on President and CEO Realizable Pay**

Changes in stock price and performance over the vesting or performance period of LTI cause the value ultimately received by the executive to differ from the target grant value. The measurement of realizable pay includes such changes when comparing pay received, or trending to be received, to the target pay granted. The chart illustrates the strong correlation between TSR performance and President and CEO realizable pay. By design, strong relative and overall TSR performance results in higher realizable pay and weak relative and overall TSR performance results in lower realizable pay.

---

**Table of Contents**

*President and CEO Realizable Pay<sup>1</sup>*

<sup>1</sup> All dollar amounts shown in thousands.

Explanatory notes to President and CEO Realizable Pay chart

Amounts shown for each **Target** column reflect (1) base salary paid during the year, (2) Performance Bonus target for the year and (3) face value (shares multiplied by grant date fair market value) of the Restricted Stock and Performance Share Units granted at the beginning of the year. For 2016, the Committee approved an LTI grant valued at approximately one-third less than the targeted value.

Amounts shown for each **Realizable** column reflect (1) base salary paid during the year, (2) the Performance Bonus awarded for the year through the Committee's Performance Bonus determination process and (3) the value of (a) the Restricted Stock based on the closing price of Devon's common stock as of 2018 year end without respect to interim vesting, and (b) the Performance Share Units based on a payout percentage for Devon's position within the peer group for the relevant performance period up to December 31, 2018. Following year end, the Performance Share Units granted in 2016 were determined not to meet the threshold for any payout and the Performance Share Units granted in 2017 and 2018, respectively, were trending to pay out at 50% and 0% of target, respectively.

**% TSR Change** covers, (a) for the first column, the period from December 31, 2015 to December 31, 2018, (b) for the second column, the period from December 31, 2016 to December 31, 2018, and (c) for the third column, the period from December 31, 2017 to December 31, 2018.

**% Difference between Realizable and Target Pay** reflects the difference, expressed as a percentage of **Target**, between **Target** and **Realizable** pay as of December 31, 2018 for each respective column.

## **Table of Contents**

### **Compensation Process Background**

The Committee is responsible for and directs the process of reviewing and determining compensation for the named executive officers. The Committee retains an external compensation consultant to provide assistance with the process. The role of the Committee and the compensation consultant, which includes the development of a peer group the Committee uses for benchmarking and comparing the executive officers' compensation, is further described in the following sections.

#### ***Role of the Committee***

The Committee establishes the Company's executive compensation philosophy and administers the overall executive compensation program. The Committee operates under a written charter approved by the Board of Directors, a copy of which is available at the Company's website, [www.devonenergy.com](http://www.devonenergy.com).

Every year, the Committee conducts an individual, in-depth, confidential interview with each executive officer to discuss the officer's analysis of the Company's overall performance for the year, performance within the officer's area of responsibility, and any issues or concerns the officer may have regarding the Company's operations and results. The Committee believes this is a highly effective tool in the Committee's oversight of the executive compensation process. In addition, the President and CEO discusses with the Committee his evaluation of each executive officer's performance, development, and potential to take on greater or different responsibilities. The President and CEO also provides compensation recommendations to the Committee for all executive officers (other than himself).

The Committee considers the various factors described in this CD&A, including its interviews with executive officers and the President and CEO's evaluations of each executive officer's performance and, in a closed session without the President and CEO present, the Committee sets the President and CEO's compensation. The Committee then determines whether to approve the compensation recommendations provided by the President and CEO for the other executive officers.

#### ***Role of the Compensation Consultant***

For 2018, the Committee retained Meridian Compensation Partners, LLC (the Compensation Consultant) as its external compensation consultant. The Compensation Consultant evaluated the competitiveness of the Company's program and reviewed the executive compensation program design. The Committee has the final authority to hire and terminate the Compensation Consultant, and the Committee annually evaluates the performance of the Compensation Consultant.

In selecting its consultant, the Committee considers factors that could affect the consultant's independence, including whether the consultant provides services to the Company other than under its engagement by the Committee, and the other factors set forth in the Committee's charter. Based on this review, the Committee determined that the Compensation Consultant had no conflicts of interest.

#### ***Use of Peer Groups***

To successfully compete for executive talent, the Committee, working with the Compensation Consultant, annually compares the compensation of the executive officers to the compensation of



**Table of Contents**

similarly situated executives at peer companies with business operations focused on the exploration and production of oil and gas. In establishing a peer group, the Committee primarily seeks companies with asset and market values similar to the Company. The Committee also considers enterprise values, calculated as common equity value *plus* net long-term debt and preferred stock, of the companies. The Committee believes these metrics are appropriate for determining peers because they provide a reasonable point of reference for comparing executives with similar positions and responsibilities. At the time the Committee approved the peer group for 2018, the Company was generally positioned between the 50<sup>th</sup> and 75<sup>th</sup> percentiles of the peer group on each of these metrics.

The approved peer group for 2018 consisted of the 14 companies listed below:

Anadarko Petroleum Corporation

Apache Corporation

Chesapeake Energy Corporation

Concho Resources Inc.

ConocoPhillips

Continental Resources, Inc.

EnCana Corporation

EOG Resources, Inc.

Hess Corporation

Marathon Oil Corporation

Murphy Oil Corporation

Noble Energy, Inc.

Occidental Petroleum Corporation

Pioneer Natural Resources Company

The Committee's peer group analysis consists of all components of total direct compensation, including base salary, annual performance bonus, and long-term equity incentives. The Compensation Consultant collected and summarized compensation data from the proxy statements of the peer group companies and the Compensation Consultant's proprietary databases. At its January 2019 meetings, the Committee approved the same peer group for 2019 as the prior year.

### *Tally Sheet Review*

Prior to making compensation decisions at its January meetings, the Committee annually reviews tally sheets for executive officers that include all elements of compensation, including potential payments under various termination scenarios. Tally sheets allow the Committee to evaluate compensation elements individually and collectively. Please refer to the tables that follow this CD&A for additional information.

## **Additional Benefits and Compensation Information**

### *Retirement Benefits*

#### Defined Benefit Plans

Based on their hire date with the Company, named executive officers may be eligible to participate in three defined benefit plans maintained by the Company. Devon's qualified Defined Benefit Plan provides annual retirement income based on a formula that considers the executive's final average compensation, Social Security benefits and years of credited service with the Company. Additionally, the same group of named executive officers may participate in either of two nonqualified defined benefit plans, the Supplemental Retirement Income Plan (SRIP) or Benefit Restoration Plan (BRP), that are not subject to certain limitations imposed by the IRS. Such nonqualified plans are typical in the oil and gas industry.

## Table of Contents

### Defined Contribution Plans

Named executive officers hired after Devon's Defined Benefit Plan was closed to new participants in 2007 are eligible to participate in a qualified 401(k) Plan that provides for a Company match of up to 6% and a Company contribution of up to 16% of their compensation. In lieu of participating in the SRIP or BRP, named executive officers who are not eligible for the Defined Benefit Plan may participate in additional nonqualified defined contribution plans. Under the Supplemental Contribution Restoration Plans (SCRPs) and the Supplemental Executive Retirement Plan (DC SERP), the Company may make supplemental contributions that would otherwise be subject to limitations in the Internal Revenue Code based on the compensation of the executives.

### Nonqualified Deferred Compensation Plans

Devon maintains a nonqualified Deferred Compensation Plan that allows eligible employees to defer cash compensation beyond the limits placed on the 401(k) Plan by the Internal Revenue Code and permits the Company to contribute a match to the extent that the match available under the qualified 401(k) Plan is limited.

For additional information on the plans and the value of accumulated benefits for the named executive officers under the various plans described in this Retirement Benefits section, please refer to the Pension Benefits section on page 62 and the Nonqualified Deferred Compensation Plan section on page 66.

### *Other Benefits*

The limited perquisites made available to Devon's executives are listed in detail in the All Other Compensation table on page 58. Personal use of aircraft by executives on a limited basis is allowed as approved by the President and CEO. The Committee reviews and ratifies the personal use of aircraft on an annual basis. Such use has historically been minimal and in 2018 there was no usage.

### *Post-Termination or Change-in-Control Benefits*

Devon maintains employment agreements with each of the named executive officers. These agreements provide each named executive officer certain additional compensation if employment is involuntarily terminated other than for cause or if the named executive officer voluntarily terminates employment for good reason, as those terms are defined in the relevant agreements. Also, in these situations, the applicable named executive officer fully vests in any unvested LTI awards subject to certain covenants and agreements and pro rata as described below. The agreements also provide certain benefits in the event of a termination within a two-year period following a change in control.

The employment agreements do not include gross-up provisions that obligate the Company to pay an additional amount to the named executive officer if benefits under the employment agreement or any other Company arrangement are subject to the tax imposed on excess parachute payments by Section 4999 of the Internal Revenue Code. The Company's award agreements for LTI granted to the named executive officers provide that officers who meet certain years-of-service and age criteria are eligible to continue to vest as scheduled in outstanding awards following retirement subject to certain covenants and agreements.



**Table of Contents**

The unvested shares underlying LTI awards granted prior to 2018 are eligible for continued or accelerated vesting post termination in the case of a severance-related employment termination or a retirement. For grants made in 2018 and after, such terminations occurring prior to the first anniversary of the grant date result in a pro-rata reduction in the number of shares eligible for continued or accelerated vesting post termination.

Employment agreements and other arrangements with post-termination and change-in-control benefits are typical in the oil and gas industry and necessary in order to compete for executive talent. Please refer to the *Potential Payments Upon Termination or Change-in-Control* section beginning on page 68 for detail on amounts that could be payable under certain scenarios and additional information on the Company's employment agreements.

***Stock Ownership Guidelines***

Ownership of Devon's stock by the executives aligns their interests with the interests of Devon's stockholders. Accordingly, the Board of Directors maintains stock ownership guidelines that require each executive officer who has served in such capacity for at least five years to own shares of common stock at least equal in value to a multiple of his base salary. The guidelines establish the following minimum ownership levels:

<b>Officer Title</b>	<b>Share Ownership Expectation as Multiple of Base Salary</b>
President and CEO	Six times base salary
Chief Operating Officer	Four times base salary
Executive Vice Presidents	Three times base salary

The guidelines require an executive officer who has served in such capacity less than five years to maintain ownership of at least one-half of the shares of Devon common stock received through equity-based awards from the Company (net of taxes) until the officer meets his ownership requirement.

As of March 31, 2019, the named executive officers then employed by the Company held stock in excess of the levels required in the guidelines. The executives have historically maintained share ownership levels well above the Company's guidelines. For purposes of calculating share ownership levels, the Board includes (i) shares owned directly by the officer and his immediate family members who share the same household, (ii) shares owned beneficially by the officer and his immediate family members who share the same household, and (iii) unvested restricted stock for which any performance conditions have been met.

***Hedging Guidelines***

The Company also has a policy that prohibits Devon employees, officers and directors from trading in Devon securities on a short-term basis, entering short sales, and buying or selling puts, calls, or similar instruments. The policy also discourages Devon employees, officers and directors from placing standing or limit orders and prohibits executive officers and directors from pledging or hedging Devon stock, buying Devon stock on margin, or holding Devon stock in a margin account. The hedging prohibition covers any transaction that is designed to hedge or offset any decrease in the market value of Devon stock, including, but not limited to, prepaid variable forward contracts,

equity swaps, collars, and exchange funds.

**Table of Contents**

For additional detail on the stock owned by the named executive officers, please refer to the Security Ownership of Management table on page 79.

***Compensation Program and Risk-Taking***

The Company's executive compensation program is designed to provide executive officers incentives for the achievement of near-term and long-term objectives, without motivating them to take unnecessary risk. As part of its review of the impact of the Company's executive compensation programs on the Company's risk profile and risk management, the Committee noted the following factors that discourage the Company's executives from taking unnecessary or excessive risk:

the Company's operating strategy and related compensation philosophy;

the effective balance of Devon's compensation program between cash and equity, near-term and long-term focus, corporate and individual performance, and financial and non-financial performance;

a multi-faceted approach to performance evaluation and compensation that does not reward an executive for engaging in risky behavior to achieve one objective to the detriment of other objectives;

significant executive stock ownership pursuant to Devon's stock ownership guidelines; and

the Board's annual risk assessment process.

Based on this review, the Committee believes that the executive compensation programs do not encourage executives to take unnecessary or excessive risk.

***Policy for Recovery of Compensation (Clawback Policy)***

The Board has a policy concerning the recovery of bonuses, incentives and equity-based compensation awarded to executive officers under certain circumstances (the Clawback Policy). In the event of a restatement of the Company's financial statements that leads to a revision of one or more performance measures on which a bonus or other incentive compensation was based, the Committee may require reimbursement or forfeiture of all or a portion of any bonus or incentive compensation subject to the Clawback Policy.

Table of Contents

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Company has reviewed and discussed the preceding Compensation Discussion and Analysis section with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Proxy Statement.

*Duane C. Radtke, Chairperson*

*John. E. Bethancourt*

*John Krenicki Jr.*

*Robert A. Mosbacher Jr.*

56

**Commitment Runs Deep**



**Table of Contents****SUMMARY COMPENSATION TABLE**

The following table and accompanying footnotes summarize the compensation earned, awarded, paid, or attributed to the named executive officers for the years indicated below. The named executive officers are the President and Chief Executive Officer, the Chief Financial Officer, the two other most highly compensated executive officers of the Company serving as of December 31, 2018, and the former Executive Vice President, Administration. This table should be read together with the Compensation Discussion and Analysis (see page 37), which includes information about Company performance for 2018, the Company's compensation philosophy and objectives, the programs and plans that underlie executive officer compensation opportunities, and the Compensation Committee's process for awarding compensation.

Name and Principal Position	Year	Salary (\$) <sup>1</sup>	Stock Awards (\$) <sup>2</sup>	Change in Pension Value and Nonqualified Non-Equity Deferred Incentive Compensation Plan				Total (\$)
				Compensation (\$) <sup>3</sup>	Earnings (\$) <sup>4</sup>	All Other Compensation (\$) <sup>5</sup>		
David A. Hager	2018	1,275,000	8,553,492	1,549,100	0	1,081,476	12,459,068	
President and Chief Executive Officer	2017	1,275,000	9,027,885	1,979,400	0	1,166,691	13,448,976	
	2016	1,275,000	4,319,289	2,237,625	0	939,444	8,771,358	
Jeffrey L. Ritenour	2018	597,115	2,213,875	486,000	0	263,998	3,560,988	
Executive Vice President and Chief Financial Officer	2017	552,610	2,001,879	595,100	42,356	164,161	3,356,106	
Tony D. Vaughn	2018	800,000	3,522,082	720,000	2,508,995	110,724	7,661,801	
Chief Operating Officer	2017	793,077	3,717,376	920,000	3,719,208	143,909	9,293,570	
	2016	735,192	1,524,479	1,480,000	2,306,986	87,654	6,134,311	
Lyndon C. Taylor	2018	647,115	2,515,741	526,500	551,466	85,165	4,325,987	
Executive Vice President and General Counsel	2017	625,000	2,442,849	646,900	1,248,770	84,382	5,047,901	
	2016	625,000	1,168,777	650,000	809,168	69,402	3,322,347	
R. Alan Marcum	2018	334,231	1,811,339	0	280,720	3,697,318	6,123,608	

Former Executive Vice President, Administration <sup>6</sup>	2017	550,000	1,911,837	506,000	796,562	69,942	3,834,341
	2016	550,000	914,687	572,000	268,506	63,124	2,368,317

<sup>1</sup>Mr. Hager's annual base salary rate of \$1,275,000 became effective upon his appointment as President and CEO in August 2015 and has not been subsequently changed. Mr. Ritenour's annual base salary rate increased from \$378,300 to \$575,000 upon his appointment as EVP and CFO in April 2017. The Compensation Committee increased Mr. Ritenour's annual base salary rate to \$600,000 at its January 2018 meetings. Mr. Vaughn's annual base salary rate of \$800,000 was set at the Compensation Committee's January 2017 meetings and has not been subsequently changed. The Compensation Committee increased Mr. Taylor's annual base salary rate from \$625,000 to \$650,000 at its January 2018 meetings. Prior to his departure in August 2018, Mr. Alan Marcum's annual base salary rate was \$550,000.

<sup>2</sup>The dollar amounts reported in this column represent the aggregate grant date fair values of the stock awards made in 2018, as determined pursuant to FASB ASC Topic 718, excluding the effect of estimated forfeitures. The assumptions used to value stock awards are discussed in *Note 4 Share-Based Compensation* of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. For restricted stock and performance restricted stock, values are based on the closing price of the Company's common stock on the grant date. In valuing the performance share unit awards, the Company used a Monte Carlo simulation. The grant date fair value of the performance share unit awards was determined based on the vesting at target of the units awarded, which is the performance the Company believed was probable on the grant date. If a maximum, rather than target, number of shares is used to determine the maximum award opportunity for the named executive officers for the 2018 performance share unit awards, the grant date value of the awards is as follows: Mr. Hager, \$8,606,944; Mr. Ritenour, \$2,227,710; Mr. Vaughn, \$3,544,091; Mr. Taylor, \$2,531,463; and Mr. Marcum, \$1,822,659. Please refer to the table below on page 75 titled "Payments and Benefits Associated with Mr. Marcum's August 1, 2018 Employment Termination" for information about the treatment of

**Table of Contents**

Mr. Marcum's awards upon his termination. Additional information on stock awards may be found in the Grants of Plan-Based Award Table on page 59. Please also see page 47 for a description of stock awards granted in early 2019. No option awards have been granted to the named executive officers since 2011.

<sup>3</sup> This column reflects performance cash bonuses awarded to the named executive officers.

<sup>4</sup> The dollar amounts reported in this column reflect the aggregate change in the actuarial present value of each participating named executive officer's accumulated benefits under the Company's Defined Benefit Plan and the Supplemental Retirement Income Plan (SRIP) during the applicable year. The amounts shown for each year do not reflect payments made to the executives during the applicable year. None of the named executive officers received above market or preferential earnings on deferred compensation in any of the reported years. Mr. Hager joined the Company after Devon's Defined Benefit Plan was closed to new participants in 2007. At the time the plans closed to new participants, Mr. Ritenour elected to freeze his participation in these plans and instead participate in the Company's enhanced defined contribution plan. Under the Defined Benefit Plan, Mr. Ritenour continues to earn years of credited service only. For Mr. Ritenour, the actuarial present value of his pension benefit decreased by \$33,111 in 2018 due to a change in the discount rate required to be used in the calculation of his benefit.

<sup>5</sup> Details for the amounts shown in this column for 2018 are reflected in the supplemental table immediately below.

<sup>6</sup> Mr. Marcum left the Company on August 1, 2018.

The following supplemental table shows the components of All Other Compensation for 2018 in the previous table.

Name	Group Term Life Insurance Premiums (\$)	401(k) Plan Employer Match and Retirement Contribution (\$)	Deferred Compensation Employer Match (\$)	Defined Contribution	Defined Contribution	Severance Benefits (\$) <sup>2</sup>	Other Perquisites (\$) <sup>3</sup>	Total (\$)
				Restoration Plan and Supplemental Contribution Employer Contribution (\$)	Supplemental Executive Retirement Plan Employer Contribution (\$)			
David A. Hager	7,524	36,500	178,764	240,352 <sup>1</sup>	618,336	0		1,081,476
Jeffrey L. Ritenour	1,710	36,500	55,033	170,755 <sup>1</sup>	N/A	0		263,998

Tony D. Vaughn	7,524	16,500	86,700	N/A	N/A	0	110,724
Lyndon C. Taylor	7,524	16,500	61,141	N/A	N/A	0	85,165
R. Alan Marcum	1,599	16,500	30,360	N/A	N/A	3,648,859	3,697,318

N/A indicates the executive is not eligible for this program and no amount was paid, contributed or accrued by the Company.

<sup>1</sup>Mr. Hager joined the Company after the Defined Benefit Plan was closed to new participants. Instead, he is eligible for and receives enhanced employer retirement contributions to the 401(k) plan and certain non-qualified defined contribution arrangements. As of December 31, 2007, Mr. Ritenour voluntarily elected to receive enhanced employer retirement contributions to the 401(k) plan and certain non-qualified defined contribution arrangements.

<sup>2</sup>Mr. Marcum's employment was terminated effective August 1, 2018. All of the amounts reflected in the column were paid pursuant to Mr. Marcum's employment agreement with the Company. The amount comprises the following elements: lump-sum payment equivalent to three times his annual salary plus highest performance bonus paid during three years prior to employment termination, \$3,366,000; lump-sum payment of Mr. Marcum's pro-rated performance bonus for 2018, \$256,893; lump-sum payment equivalent to 18 months of the Company portion of COBRA insurance coverage, \$12,639; the value of Company-provided post-termination health and dental insurance, \$6,668; and the value of outplacement services, \$6,659.

<sup>3</sup>The Company offers minimal reportable perquisites to executives. Executives are eligible for limited, pre-approved personal use of Company aircraft, but none utilized it in 2018.

Table of Contents**GRANTS OF PLAN-BASED AWARDS**

The following 2018 Grants of Plan-Based Awards table sets forth information concerning performance cash bonuses, restricted stock and performance share units granted during 2018 for the named executive officers as described below. The long-term incentive awards reflected below are the only equity-based incentives granted to the named executive officers in the year.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>1</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards:	Grant Date Fair Value of Stock Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (# shares)	Target (# shares)	Maximum (# shares)	Number of Shares of Stock or Units	
David A. Hager	1/23/2018	0	1,721,250	3,442,500	-	-	-	-	-
	2/10/2018 <sup>2</sup>	-	-	-	-	-	-	118,782	4,250,020
	2/10/2018 <sup>3</sup>	-	-	-	0	118,782	237,564	-	4,303,472
Jeffrey L. Ritenour	1/23/2018	0	540,000	1,080,000	-	-	-	-	-
	2/10/2018 <sup>2</sup>	-	-	-	-	-	-	30,744	1,100,020
	2/10/2018 <sup>3</sup>	-	-	-	0	30,744	61,488	-	1,113,855
Tony D. Vaughn	1/23/2018	0	800,000	1,600,000	-	-	-	-	-
	2/10/2018 <sup>2</sup>	-	-	-	-	-	-	48,911	1,750,036
	2/10/2018 <sup>3</sup>	-	-	-	0	48,911	97,822	-	1,772,046
Lyndon C. Taylor	1/23/2018	0	585,000	1,170,000	-	-	-	-	-
	2/10/2018 <sup>2</sup>	-	-	-	-	-	-	34,936	1,250,010
	2/10/2018 <sup>3</sup>	-	-	-	0	34,936	69,872	-	1,265,731
R. Alan Marcum	1/23/2018	0	0	0	-	-	-	-	-

2/10/2018 <sup>2</sup>	-	-	-	-	-	-	25,154	900,010
2/10/2018 <sup>3</sup>	-	-	-	0	25,154	50,308	-	911,329

<sup>1</sup>The amounts shown in the column reflect a range of possible payouts for the performance cash bonus awards made on the dates indicated. Performance related to these awards was determined by the Compensation Committee following the end of the year and amounts were paid shortly thereafter. The awards were earned and paid at 90% of target levels; actual payouts under these awards are shown in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. Please refer to Annual Performance Cash Bonus on page 44 for more information about 2018 performance cash bonuses, including how the Compensation Committee establishes performance bonus targets and performance goals and engages in a scoring process to determine actual payouts.

<sup>2</sup>The amounts reported in the table's rightmost column reflect the value of the restricted stock award made on the date indicated. The value is calculated using the face-value method (the closing price of the Company stock as of the grant date multiplied by the number of shares granted). The award was made under the 2017 LTIP. 25% of the shares granted vest on the anniversary of the grant date and 25% will vest on each of the 2nd, 3rd and 4th anniversaries of the grant date.

<sup>3</sup>The amounts in the Threshold, Target, and Maximum columns reflect the range and midpoint of possible payout for the performance share unit awards made on the dates indicated. All awards were made under the 2017 LTIP. The amounts reported for the table's rightmost column represent the aggregate grant date fair values of the performance share unit awards determined pursuant to FASB ASC Topic 718, excluding the effect of estimated forfeitures. The grant date fair value of the performance share unit awards was determined based on the vesting at target of the units awarded, which is the performance the Company believed was probable on the grant date. For more information, please see the discussion of Long-Term Incentives starting on page 47 of this Proxy Statement. While that discussion specifically covers grants made in February 2019, the terms and conditions of those awards and the awards reflected in this table are substantially the same. Dividends on the awards are not paid until shares vest. As of December 31, 2018, the awards reflected in this table were trending at 0% of target payout.

Table of Contents**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END**

The following table shows the number of shares covered by exercisable options and unvested restricted stock, performance restricted stock and performance share awards held by the named executive officers as of December 31, 2018.

Name	Option Awards				Stock Awards Equity Incentive Plan Awards:			
	Number of Securities Underlying Unexercised Options (#) Exercisable <sup>1</sup>	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>2</sup>	Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>2</sup>
David A. Hager	43,550		65.10	11/30/2019				
					8,375 <sup>3</sup>	188,773		
					7,833 <sup>4</sup>	176,556		
					73,708 <sup>5</sup>	1,661,378		
					70,194 <sup>7</sup>	1,582,173		
					118,782 <sup>11</sup>	2,677,346		
							147,416 <sup>6</sup>	3,322,757
							93,592 <sup>8</sup>	2,109,564
							118,782 <sup>10</sup>	2,677,346
Jeffrey L. Ritenour	18,075		65.10	11/30/2019				

Edgar Filing: DEVON ENERGY CORP/DE - Form DEF 14A

				2,340 <sup>9</sup>	52,744		
				11,273 <sup>9</sup>	254,093		
				9,910 <sup>9</sup>	223,371		
				13,623 <sup>9</sup>	307,062		
				30,744 <sup>11</sup>	692,970		
						22,546 <sup>6</sup>	508,187
						13,213 <sup>8</sup>	297,821
						30,744 <sup>10</sup>	692,670
Tony D. Vaughn	24,050	65.10	11/30/2019				
				4,870 <sup>3</sup>	109,770		
				26,015 <sup>5</sup>	586,378		
				28,904 <sup>7</sup>	651,496		
				48,911 <sup>11</sup>	1,102,454		
						52,030 <sup>6</sup>	1,172,756
						38,538 <sup>8</sup>	868,647
						48,911 <sup>10</sup>	1,102,454
Lyndon C. Taylor	26,150	65.10	11/30/2019				
				4,480 <sup>3</sup>	100,979		
				19,945 <sup>5</sup>	449,560		
				18,994 <sup>7</sup>	428,125		
				34,936 <sup>11</sup>	787,457		
						39,890 <sup>6</sup>	899,121
						25,325 <sup>8</sup>	570,826
						34,936 <sup>10</sup>	787,457
R. Alan Marcum	26,150	65.10	11/30/2019				
						31,218 <sup>6</sup>	703,654
						19,820 <sup>8</sup>	446,743



11,922<sup>10</sup>

268,722

60

**Commitment Runs Deep**

**Table of Contents**

<sup>1</sup>The column reflects options granted on December 1, 2011. All option awards listed have an eight-year term.

<sup>2</sup>Based on a stock price of \$22.54, the closing price of Devon's common stock on December 31, 2018, which was the last trading day of the year.

<sup>3</sup> As established at the time of grant, performance restricted stock for 2015 was only earned if the Company achieved cash flow before balance sheet changes of at least \$4 billion in 2015. In January 2016, the Committee determined that the goal had been achieved. As a result, 75% of the shares granted had already vested as of December 31, 2018 and 25% of the shares vested thereafter on February 10, 2019.

<sup>4</sup> In August 2015, Mr. Hager was granted a performance restricted stock award in connection with his appointment as President and Chief Executive Officer of the Company. This grant was only earned if the Company achieved the pre-set cash flow goal described in footnote 3 above. Because the goal was achieved, 25% of the shares granted vested and 25% vested (or, with respect to tranches that have not vested, will vest in the future) on each of the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> anniversaries of the grant date.

<sup>5</sup> As established at the time of grant, performance restricted stock for 2016 was only earned if the Company achieved in 2016 either cash flow before balance sheet changes of at least \$500 million or production of at least 175 million BOE. In January 2017, the Committee determined that each goal had been achieved. As a result, 25% of the shares granted vested and 25% vested (or, with respect to tranches that have not vested, will vest in the future) on each of the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> anniversaries of the grant date.

<sup>6</sup>For performance share units granted in 2016, the number of shares listed is based on target level of TSR performance for the Company as compared to a peer group for the three-year period from January 1, 2016 to December 31, 2018. At its January 2019 meetings, the Committee determined that the Company's TSR for the period ranked 1<sup>st</sup> out of 15 peers and certified that the level of performance did not meet the threshold for payment. Following this determination, the grant was cancelled with no payout to recipients.

<sup>7</sup> As established at the time of grant, performance restricted stock for 2017 was only earned if the Company achieved cash flow before balance sheet changes of at least \$700 million in 2017. In January 2018, the Committee determined that the goal had been achieved. As a result, 25% of the shares vested and 25% vested (or, with respect to tranches that have not vested, will vest in the future) on each of the 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> anniversaries of the grant date.

<sup>8</sup>For performance share units granted in 2017, the number of shares listed is based on target level of performance for the three-year period from January 1, 2017 to December 31, 2019. The actual number of shares paid out will be

based on the Company's relative TSR, as determined by the Committee following the period pursuant to the grid set forth on page 47 of Devon's 2017 proxy statement.

<sup>9</sup>The rows reflect restricted stock awards granted in 2015, 2016, and 2017 to Mr. Ritenour. With each grant, 25% of the shares vest on each anniversary of the grant date. Accordingly, portions of each grant have already vested. With respect to the remaining unvested shares reflected in the table, (i) the remaining unvested shares underlying the 2015 grant (i.e., the 4th tranche of the grant) vested on February 10, 2019, (ii) 25% of the shares underlying the 2016 grant vested on March 1, 2019 and the remaining 25% of the shares will vest on March 1, 2020 (i.e., the 3rd and 4th tranches of the grant, respectively), (iii) 25% of the shares underlying the 2017 grant vested on February 10, 2019 (i.e. the 2nd tranche of the grant) and the remaining shares will vest ratably on February 10, 2020 and February 10, 2021, respectively (i.e., the 3rd and 4th tranches of the grant, respectively), and (iv) 25% of the shares underlying the 2018 grant vested on February 10, 2019 (i.e. the 1st tranche of the grant) and the remaining shares will vest ratably on February 10, 2020, February 10, 2021, and February 10, 2022 (i.e., the 2nd, 3rd and 4th tranches of the grant, respectively).

<sup>10</sup>For performance share units granted in 2018, the number of shares listed is based on target level of performance for the three-year period from January 1, 2018 to December 31, 2020. The actual number of shares paid out will be based on the Company's relative TSR, as determined by the Committee following the period pursuant to the grid set forth on page 47 of Devon's 2018 proxy statement.

<sup>11</sup> The rows reflect restricted stock awards granted in 2018. With each grant, 25% of the shares vest (or vested) on each anniversary of the grant date (i.e., on February 10, 2019, February 10, 2020, February 10, 2021 and February 10, 2022).

**Table of Contents****OPTION EXERCISES AND STOCK VESTED DURING 2018**

The table below shows the number of shares of Devon's common stock acquired during 2018 upon the vesting of stock awards granted to the named executive officers in previous years. During 2018, no stock options were exercised by named executive officers.

Name	Stock Awards	
	Number of	Value
	Shares	Realized on
	Acquired	Vesting
	on Vesting (#)	(\$) <sup>1</sup>
David A. Hager	111,768	3,861,238
Jeffrey L. Ritenour	26,319	935,355
Tony D. Vaughn	47,985	1,648,741
Lyndon C. Taylor	40,009	1,379,264
R. Alan Marcum	77,232	3,031,869 <sup>2</sup>

<sup>1</sup>The dollar amounts shown in this column are determined by multiplying the number of shares of common stock acquired upon vesting by the closing per-share market price of Devon's common stock on the vesting date.

<sup>2</sup> Includes shares vested on an accelerated basis in connection with Mr. Marcum's termination from the Company on August 1, 2018.

**PENSION BENEFITS**

Devon maintains the following defined benefit retirement plans:

a tax qualified defined benefit retirement plan and related trust for certain employees (Defined Benefit Plan);

a nonqualified Benefit Restoration Plan (BRP) that provides benefits that would be provided under the Defined Benefit Plan except for:

limitations imposed by the Internal Revenue Code, and

the exclusion of nonqualified deferred compensation in the definition of compensation; and

a nonqualified Supplemental Retirement Income Plan (SRIP) for a small group of executives that provides benefits similar to those provided by the BRP plus certain additional benefits.

**Table of Contents**

The following table shows the estimated present value, as of December 31, 2018, of accumulated retirement benefits as provided under the Defined Benefit Plan and the SRIP to the named executive officers. No named executive officers participate in the BRP. Please refer to the discussion under **Benefit Plans** below for additional details on Devon's defined benefit plans.

<b>Name</b>	<b>Plan Name</b>	<b>Number of Years Credited Service</b>	<b>Present Value of Accumulated Benefit</b>	<b>Payments During Last Fiscal Year</b>
		<b>(#)</b>	<b>(\$)<sup>1</sup></b>	<b>(\$)</b>
David A. Hager <sup>2</sup>	Defined Benefit Plan	N/A	N/A	0
	SRIP	N/A	N/A	0
Jeffrey L. Ritenour <sup>3</sup>	Defined Benefit Plan	7	176,273	0
	SRIP	7	48,051	0
Tony D. Vaughn <sup>4</sup>	Defined Benefit Plan	21	2,480,417	0
	SRIP	21	11,438,323	0
Lyndon C. Taylor <sup>4,5</sup>	Defined Benefit Plan	13	2,407,649	0
	SRIP	18	6,018,759	0
R. Alan Marcum <sup>4,6</sup>	Defined Benefit Plan	24	1,916,673	0
	SRIP	24	3,866,638	0

N/A indicates the executive is not eligible for this program and no amount was paid, contributed or accrued by the Company.

<sup>1</sup> The present value of each named executive officer's accumulated benefits as of December 31, 2018 under the Defined Benefit Plan is calculated assuming 10% of participants would elect a single life annuity, 50% of participants would elect a lump sum and 40% would elect a 100% joint and survivor annuity. For the SRIP, the calculations assume that 25% of participants would elect a single life annuity and 75% would elect a 100% joint and survivor annuity. With each plan, the calculations assume that each named executive officer would begin receiving payments at normal retirement age (age 65) and would be vested in those payments. The present value is calculated using the RP-2014 mortality table with MP-2018 improvement scale, and a discount rate of 4.23% for the Defined Benefit Plan and 4.16% for the SRIP. No pre-retirement decrements were used in this calculation.

<sup>2</sup>Mr. Hager joined the Company after the Defined Benefit Plan was closed to new participants. As a result, he is not eligible for a benefit under any of Devon's defined retirement benefit plans.

<sup>3</sup>As of December 31, 2007, Mr. Ritenour voluntarily elected to freeze participation in the plans described in this table and instead participate in the Company's enhanced defined contribution plan. Under these plans, Mr. Ritenour continues to earn credited years of service only.

<sup>4</sup>Messrs. Vaughn, Taylor, and Marcum are eligible for early retirement under the Defined Benefit Plan and the SRIP. Mr. Marcum is eligible for his Defined Benefit Plan deferred vested pension to be reduced as if he was eligible for early retirement, due to the provisions regarding involuntary termination. See the following [Defined Benefit Plan Early Retirement](#) for a description of the eligibility requirements and benefits payable under Devon's Defined Benefit Plan. See the following [Supplemental Retirement Income Plan](#) for a description of the eligibility requirements and benefits payable under Devon's SRIP.

<sup>5</sup>The value of Mr. Taylor's SRIP benefits includes the effect of an additional service credit. As of December 31, 2018, the additional credited years of service increased the value of Mr. Taylor's SRIP benefit by \$2,313,139. On an infrequent basis, the Committee grants additional service and age credits under specific circumstances. The Committee granted the service credit in 2012 in recognition that Mr. Taylor joined Devon mid-career and would likely remain at the Company for the duration of his career. The service credit recognizes the value to the Company of his prior experience.

<sup>6</sup> Although Mr. Marcum left the Company in 2018, he did not receive any payments from the SRIP in 2018 because his annuity commencement is delayed until Mr. Marcum reaches age 55, in compliance with the SRIP.

---

**Table of Contents****BENEFIT PLANS****Defined Benefit Plan**

The Defined Benefit Plan is a qualified defined benefit retirement plan that provides benefits based upon employment service with Devon. Employees hired before October 1, 2007, became eligible to participate in the Defined Benefit Plan when they earned one year of service and attained the age of 21 years. Employees who were hired after September 30, 2007, are not eligible to participate in the Defined Benefit Plan. Each eligible employee who retires is entitled to receive monthly retirement income based upon their final average compensation and years of credited service, and the retirement income is reduced by Social Security benefits payable to the employee. Alternatively, an eligible employee may elect a lump-sum payment at the time of retirement equivalent in amount to the present value of the calculated annuity stream. Final average compensation consists of the average of the highest three consecutive years' compensation from salary and cash performance bonuses out of the last 10 years. The definition of compensation under the Defined Benefit Plan is the same as the definition under the SRIP and BRP, except that under the Defined Benefit Plan, nonqualified deferred compensation is excluded and the amount of compensation and pension benefits is limited by the Internal Revenue Code.

Contributions by employees are neither required nor permitted under the Defined Benefit Plan. Benefits are computed based on straight-life annuity amounts. Benefits under the Defined Benefit Plan are limited for certain highly compensated employees, including the named executive officers, in order to comply with certain requirements of the Employee Retirement Income Security Act of 1974 ( ERISA ) and the Internal Revenue Code.

***Normal Retirement***

Employees, including certain of the named executive officers as described above, are eligible for normal retirement benefits under the Defined Benefit Plan upon reaching age 65. Normal retirement benefits for the employees participating in the Defined Benefit Plan are equal to 65% of the participant's final average compensation less any benefits due to the participant under Social Security, multiplied by a fraction, the numerator of which is his or her credited years of service (up to a maximum of 25 years) and the denominator of which is 25.

***Early Retirement***

Employees, including certain of the named executive officers as described above, are eligible for early retirement benefits under the Defined Benefit Plan after (i) attaining age 55, and (ii) earning at least 10 years of credited service. Early retirement benefits are equal to a percentage of the normal retirement income the participant would otherwise be entitled to if he or she had commenced benefits at age 65 depending on the participant's age when he or she elects to begin receiving benefits. If an eligible participant commences benefits at age 55, he or she will receive 60% of the benefits he or she would have received had benefits commenced at age 65. The percentage increases by 5% for each year above age 55 (up to age 60) and 3% above age 60 (up to age 65) that an eligible participant delays the commencement of benefits.

***Deferred Vested Pension***



Participants in the Defined Benefit Plan are fully vested in their accrued benefits after five years of service. If the participant's employment is terminated after attaining five years of service but

**Table of Contents**

before eligibility for early retirement, the participant is entitled to a deferred vested pension based on his or her accrued benefit on the date of termination. An unreduced deferred vested pension is payable at age 65. Alternatively, the participant may elect to receive a reduced benefit as early as age 55. The benefit payable prior to age 65 is a percentage of his or her normal retirement benefit based on his or her age at the time the benefit begins, as shown in the table below:

<b>Age at Election to Receive Deferred Vested Pension</b>	<b>Percentage of Normal Retirement Income</b>
65	100.00%
64	90.35%
63	81.88%
62	74.40%
61	67.79%
60	61.91%
59	56.68%
58	52.00%
57	47.80%
56	44.03%
55	40.63%

If a participant is:

involuntarily terminated for any reason other than death or cause, is between the ages of 50 and 55, and has at least 10 years of credited service, or

involuntarily terminated for any reason other than cause within two years following a change in control and has at least 10 years of credited service regardless of the participant's age, then the participant may elect to have his or her benefits under the Defined Benefit Plan paid at any time on or after the age of 55 subject to the same percentage reduction in benefits as discussed in Early Retirement above.

**Benefit Restoration Plan**

The BRP is a nonqualified defined-benefit retirement plan, the purpose of which is to restore retirement benefits for certain selected key management and highly compensated employees because (i) their benefits under the Defined Benefit Plan are limited because of certain requirements of ERISA and the Internal Revenue Code or (ii) their final

average compensation is reduced as a result of contributions into Devon's Deferred Compensation Plan. Benefits under the BRP are equal to 65% of the executive's final average compensation less any benefits due to the executive under Social Security, multiplied by a fraction, the numerator of which is his or her years of credited service (not to exceed 25) and the denominator of which is 25. The BRP benefit is reduced by the benefit that is otherwise payable under the Defined Benefit Plan. An employee must be selected by the Compensation Committee in order to be eligible for participation in the BRP. As noted below in the discussion of the SRIP, an executive will only receive benefits under the BRP if his

## **Table of Contents**

or her benefits under the SRIP have been forfeited due to a termination for cause. The same early retirement reduction factors that apply under the Defined Benefit Plan are applicable under the BRP. Participants become vested in retirement benefits under the BRP at the same time as the participant becomes vested for retirement benefits under the Defined Benefit Plan.

### **Supplemental Retirement Income Plan**

The SRIP is another nonqualified defined benefit retirement plan for a small group of key executives, the purpose of which is to provide additional retirement benefits for those executives. An employee must be selected by the Compensation Committee in order to be eligible for participation in the SRIP. Participants in the SRIP become vested in the SRIP benefits after five years of service. If the executive is terminated for cause, as that term is defined in the executive's employment agreement, then all benefits under the SRIP are forfeited and the executive would receive benefits under the BRP. If the executive receives benefits under the SRIP, the executive is not eligible for benefits under the BRP.

The SRIP provides for retirement income equal to 65% of the executive's final average compensation less any benefits due to the participant under Social Security, multiplied by a fraction, the numerator of which is the executive's credited years of service (not to exceed 20) and the denominator of which is 20. The SRIP benefit is also reduced by the full benefits otherwise accrued under the Defined Benefit Plan.

The same early retirement reduction factors that apply under the Defined Benefit Plan are applicable under the SRIP. Early retirement benefits are payable under the SRIP after attaining age 55 and earning at least 10 years of service or, if earlier, 20 years of service regardless of age. The early retirement benefit prior to age 55 is the actuarial equivalent of the age 55 early retirement benefit. In the event that a named executive officer is terminated without cause or terminates employment for good reason, as those terms are defined in Devon's employment agreements with the named executive officers, then the executive will be 100% vested in the accrued SRIP benefit. If a change in control event occurs, the executive will be 100% vested and the benefit will be an amount equal to the normal retirement annuity payable immediately, unreduced for early commencement, in a lump sum. Otherwise, the benefit will be paid monthly, pursuant to the annuity option selected by the executive. Additionally, the SRIP provides that if the executive is terminated without cause or terminates employment for good reason within 24 months of a change in control event, the executive will be entitled to an additional three years of service credit and age in determining benefits.

### **Defined Contribution Plan 401(k) Plan**

The 401(k) Plan is a qualified defined contribution plan that provides for a Company-matching contribution of up to 6% of compensation. For employees who are not accruing benefits in the Defined Benefit Plan, supplemental contributions are made by the Company based on years of benefit service as a percentage of compensation.

### **Nonqualified Deferred Compensation Plan**

The Nonqualified Deferred Compensation Plan is designed to allow each participating employee, including the named executive officers, to contribute up to 50% of his or her base salary and up to 100% of his or her performance bonus and receive a Company match beyond the contribution limits

**Table of Contents**

prescribed by the IRS with regard to Devon's 401(k) Plan. The Nonqualified Deferred Compensation Plan provides executives a tax-effective means to defer a portion of their cash compensation at a minimal cost to the Company.

**NONQUALIFIED DEFERRED COMPENSATION**

The following table shows the contributions, earnings, distributions and balances for 2018 under Devon's nonqualified deferred compensation plan, supplemental contribution restoration plans and supplemental executive retirement plans, to the extent the respective named executive officer participates in such plans. Additional information about the supplemental contribution restoration plans and supplemental executive retirement plan is provided following the table.

<b>Name</b>	<b>Executive Contributions in Last Fiscal Year (\$)<sup>1</sup></b>	<b>Company Contributions for Last Fiscal Year (\$)<sup>2</sup></b>	<b>Aggregate Earnings in Last Fiscal Year (\$)<sup>3</sup></b>	<b>Aggregate Distributions in Last Fiscal Year (\$)<sup>4</sup></b>	<b>Aggregate Balance at Last Fiscal Year End (\$)<sup>5</sup></b>
<b>David A. Hager</b>					
Deferred Compensation Plan	749,850	178,764	(334,067)	0	5,421,917
Supplemental Contribution Restoration Plans (SCRPs)	N/A	240,352	(133,212)	0	1,606,517
Supplemental Executive Retirement Plan (DC SERP)	N/A	618,336	(342,704)	0	3,889,217
<b>Jeffrey L. Ritenour</b>					
Deferred Compensation Plan	59,510	55,033	(31,590)	0	365,364
	N/A	170,755	(76,971)	0	726,185

Supplemental  
Contribution  
Restoration Plans  
(SCRPs)

**Tony D. Vaughn**

Deferred Compensation Plan	103,200	86,700	(72,274)	0	1,515,714
-------------------------------	---------	--------	----------	---	-----------

**Lyndon C. Taylor**

Deferred Compensation Plan	103,526	61,141	(209,226)	0	2,704,179
-------------------------------	---------	--------	-----------	---	-----------

**R. Alan Marcum**

Deferred Compensation Plan	43,729	30,360	(98,984)	(91,172)	3,304,048
-------------------------------	--------	--------	----------	----------	-----------

N/A indicates the plan does not permit the participant to make contributions.

<sup>1</sup> The amounts in this column are already included in, and are not in addition to, the amounts in the Salary or Non-Equity Incentive Plan Compensation columns in the Summary Compensation Table on page 57.

<sup>2</sup> The amounts in this column are already included in, and are not in addition to, the amounts in the in the All Other Compensation column of the Summary Compensation Table on page 57. Company contributions are made in arrears during the first month following the fiscal quarter during which the contributions were earned. Company contributions earned by the named executive officers during 2018 were deposited in April, July and October 2018 and January 2019.

<sup>3</sup> Earnings reflect the returns produced by the investments selected by the applicable named executive officer. The investment options available to the named executive offices are a sub-set of the investment options available under the Company's 401(k) Plan. As of December 31, 2018, investment options consisted of the following (returns for 2018 noted in parentheses): PIMCO Stable Income Class 1 (1.85%); Neuberger Berman High Income Bond Institutional Class (-2.35%); Vanguard Prime Money Market (1.78%); Global Low Volatility Fund (-1.13%); Large Cap Value Fund (-10.84%); Large Cap Growth Fund (-1.08%); Small/Mid Cap Value Fund (-12.75%); Small/Mid Cap Growth Fund (-1.73%); US Equity Index Fund (-5.27%); International Equity Index Fund (-14.55%); PIMCO All Asset All Authority (-6.14%); American Funds EuroPacific Growth R6 Shares (-14.91%); TCW Core Fixed Income (0.08%). The Company does not guarantee a level of investment return.

---

**Table of Contents**

<sup>4</sup> In-service distributions (if any) are made in accordance with the elections made by the named executive officer at the time of enrollment in the plan.

<sup>5</sup> For the referenced plans, the Aggregate Balance reflects the changes in the plan balance for the named executive officers due to contributions (executive and Company), earnings, and distributions. The amounts previously reported in the Summary Compensation Table as compensation to the named executive officers are as follows: Mr. Hager \$5,094,118; Mr. Ritenour \$127,115; Mr. Vaughn \$387,828; Mr. Taylor \$285,772; and Mr. Marcum \$91,980.

**Supplemental Contribution Restoration Plans**

The Supplemental Contribution Restoration Plans (SCRPs) are two nonqualified supplemental defined contribution plans. The purpose of the SCRPs is to ensure that participants in the 401(k) Plan who are eligible to receive the supplemental contribution receive the full supplemental contribution despite the limitations imposed by the Internal Revenue Code. A contribution will be made by the Company in an amount equal to the difference between the supplemental contribution that the Company would have contributed under the 401(k) Plan in the absence of the Internal Revenue Code limitations and the actual amount contributed.

**Supplemental Executive Retirement Plan**

The Supplemental Executive Retirement Plan (DC SERP) is a nonqualified supplemental executive retirement plan that provides benefits in lieu of the SRIP to a small group of key executives who are not eligible to participate in the Defined Benefit Plan or the SRIP. Under the DC SERP, an executive is eligible to receive an annual contribution of a specified percentage of compensation. This contribution will be offset by supplemental contributions to the 401(k) Plan and contributions to the SCRPs. An employee must be selected by the Compensation Committee in order to be eligible for participation in the DC SERP. A participant in the DC SERP becomes 50% vested after five years of service and vests at the rate of 10% for each of the following five years. At age 62, a participant will be 100% vested with five years of participation. In the event of a change in control or a named executive officer is terminated without cause or terminates his or her employment for good reason, as those terms are defined in Devon's employment agreements with the named executive officers, then the executive will be 100% vested in his or her DC SERP account. Additionally, the DC SERP provides that if the executive is terminated without cause or terminates his or her employment for good reason within 24 months following a change in control event, the executive will be entitled to an additional three years of contributions. For those additional three years of contribution, no contributions under the 401(k) Plan or the SCRPs will exist to apply as an offset because the executive will have terminated employment. A participant will be 100% vested in the event of death or disability. Payment of DC SERP accounts will be in the form of a lump sum payment.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

Devon will be obligated to make certain payments to the named executive officers or potentially accelerate the vesting of their equity awards and retirement benefits upon termination of their employment or upon a change in control of the Company pursuant to the following plans or agreements:



employment agreements entered into with each of the named executive officers;

the Defined Benefit Plan;

the 401(k) Plan;

## **Table of Contents**

the BRP, the SRIP, the SCRPs or the DC SERP, depending on the circumstances of the executive officer's termination;

the 2009 Long-Term Incentive Plan, as amended and restated (the 2009 LTIP);

the 2015 Long-Term Incentive Plan (the 2015 LTIP); and

the 2017 LTIP (the 2009 LTIP, 2015 LTIP and 2017 LTIP may be referred to collectively as the LTIPs).

Please refer to the discussion in the sections immediately above for information about Devon's Defined Benefit Plan, 401(k) Plan, Nonqualified Deferred Compensation Plan, the BRP, the SRIP, the SCRPs and the DC SERP.

Employment agreements with Devon's named executive officers provide the following rights to compensation in the event of employment termination:

### **Accrued Payments Upon Termination of Employment**

Upon termination under the employment agreements, the named executive officer is entitled to receive the accrued amounts earned during his term of employment, including: (i) any earned but unpaid salary through the date of termination; (ii) any accrued but unused vacation pay; (iii) the annual performance bonus amount only if the named executive officer has been employed the entire year upon which such annual performance bonus is based; and (iv) amounts he is otherwise entitled to under Devon's employee benefit plans (together, the Accrued Amounts).

### **Rights Upon Termination for Death or Disability**

In addition to the Accrued Amounts, if the named executive officer's employment terminates by reason of death or disability, the named executive officer is entitled to receive a pro rata share of any performance bonus for the performance period in which the day of termination occurs (based on the number of days worked in the performance period), payable at the same time it is payable to other participants in the performance bonus plan.

### **Rights Upon Termination Without Cause and Constructive Discharge**

If the named executive officer's employment is involuntarily terminated other than for cause or the named executive officer terminates for good reason, as those terms are defined in the employment agreements, then in addition to the Accrued Amounts, the named executive officer is entitled to the following:

a lump sum cash payment equal to three times the aggregate annual compensation of the named executive officer. Aggregate annual compensation is equal to the sum of:

the named executive officer's annual base salary, and

an amount equal to the largest annual performance bonus paid or payable to the named executive officer for the three consecutive calendar years prior to the date the named executive officer's termination occurs;

payment of a pro rata share of any bonus for the performance period in which the day of termination occurs (based on the number of days worked in the performance period);

**Table of Contents**

the same basic health and welfare benefits that the executive would otherwise be entitled to receive if the named executive officer were a Devon employee for 18 months following termination;

payment of an amount equal to 18 times the monthly COBRA premium; and

payment of a reasonable amount for outplacement services commensurate with the named executive officer's title and position with the Company and other executives similarly situated in other companies in Devon's peer group.

**Termination Following a Change in Control**

Under the employment agreements, if within 24 months following a change in control of the Company, the named executive officer:

is terminated without cause by Devon; or

terminates his employment with Devon for good reason, as each of those terms are defined in the employment agreements;

then, in addition to the Accrued Amounts and Rights Upon Termination Without Cause and Constructive Discharge, three years of service and age shall be added to the named executive officer's actual years of service and actual age when determining the named executive officer's entitlement under our Retiree Medical Benefit Coverage. The credit of additional years of age should not be construed to reduce or eliminate the executive's right to coverage under the medical plan.

Change in control is defined as the date on which one of the following occurs:

an entity or group acquires 30% or more of Devon's outstanding voting securities;

the incumbent Board ceases to constitute at least a majority of Devon's Board; or

a merger, reorganization or consolidation is consummated, after stockholder approval, unless

substantially all of the stockholders prior to the transaction continue to own more than 50% of the voting power after the transaction;

no person owns 30% or more of the combined voting securities; and

the incumbent Board constitutes at least a majority of the Board after the transaction.

### **Payment Conditions**

The employment agreements require a named executive officer to execute a waiver agreement as a condition to receipt of the payments described in **Rights Upon Termination Without Cause and Constructive Discharge** and **Termination Following a Change in Control** above. By executing the waiver, the named executive officer effectively releases Devon from any waivable claims. The employment agreements also include a non-disparagement provision and a non-solicitation provision covering employees of Devon and Devon's affiliates that generally applies for 36 months following a named executive officer's termination date.

### **Long-Term Incentive Awards**

Subject to the terms of the applicable LTIP under which an award is made, unvested portions of outstanding awards may be accelerated upon the retirement, disability or termination of the named

---

**Table of Contents**

executive officer for an approved reason. Award agreements provide for automatic vesting upon the death of the named executive officer. Award agreements entered into after 2014 for awards under the 2009 LTIP and 2015 LTIP do not provide for the automatic acceleration of unvested portions of outstanding awards in the event of a change in control unless a job loss occurs or the acquiring company is not listed on a national securities exchange. This treatment of acceleration was incorporated in the 2017 LTIP. Award agreements provide that named executive officers who meet certain years-of-service and age criteria are eligible to continue to vest as scheduled in outstanding awards following retirement subject to, among other things, annual execution of a confidentiality agreement that includes non-solicitation and non-competition covenants. Under the 2017 LTIP, employment terminations occurring prior to the first anniversary of the grant date may result in a pro-rata reduction in the number of shares underlying the award depending on the circumstances of the termination pursuant to a formula that considers the number of days from the grant date to the termination date. Performance share units that vest on an accelerated basis as a result of a change in control or death will vest at the target award level.

The following tables provide the estimated compensation and present value of benefits potentially payable to each named executive officer upon a termination of employment of the named executive officer. The benefit values shown do not include benefits that are broadly available to substantially all salaried employees. The amounts shown assume that a termination or change in control occurred on December 31, 2018. The actual amounts to be paid can only be determined at the time of an executive's actual separation from the Company. The footnotes for each of the following tables are presented after the final table. Employment agreements between the Company and each of the named executive officers do not include tax gross-up payment obligations in the event of a change in control of the Company.

**Table of Contents****POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL<sup>1</sup>****David A. Hager**

Benefits and Payments	Retirement/ Termination		Termination			Change in	Change in
	Voluntary Termination	Without Cause	With Cause	Disability	Death	Control Job Loss	NoControl Job Loss
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Base Salary/ Performance							
Bonus <sup>2</sup>	0	12,087	0	0	0	0	12,087
DC SERP <sup>10</sup>	3,889	3,889	0	3,889	3,889	3,889	6,316
SCRPs <sup>11</sup>	1,607	1,607	0	1,607	1,607	1,607	1,607
Accelerated Vesting of Restricted Stock <sup>7,13</sup>	0	6,286	0	0	6,286	0	6,286
Performance Share Units <sup>8,13</sup>	0	8,110	0	0	8,110	0	8,110
Other Benefits <sup>9</sup>	0	109	0	0	0	0	109
<b>Total<sup>12</sup></b>	<b>5,496</b>	<b>32,088</b>	<b>0</b>	<b>5,496</b>	<b>19,892</b>	<b>5,496</b>	<b>34,515</b>

**Jeffrey L. Ritenour**

Benefits and Payments	Retirement/ Termination		Termination			Change in	Change in
	Voluntary Termination	Without Cause	With Cause	Disability	Death	Control Job Loss	NoControl Job Loss
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Base Salary/Performance							
Bonus <sup>2</sup>	0	4,071	0	0	0	0	4,071
SCRPs <sup>11</sup>	726	726	0	726	726	726	726
SRIP <sup>3,4,5,6</sup>	35	35	0	35	49	137	137

Edgar Filing: DEVON ENERGY CORP/DE - Form DEF 14A

BRP <sup>3,4</sup>	0	0	1	0	0	0	0
Accelerated Vesting of Restricted Stock <sup>7,13</sup>	0	1,530	0	0	1,530	0	1,530
Performance Share Units <sup>8,13</sup>	0	1,499	0	0	1,499	0	1,499
Other Benefits <sup>9</sup>	0	91	0	0	0	0	91
<b>Total<sup>12</sup></b>	761	7,952	1	761	3,804	761	8,054

72

**Commitment Runs Deep**



**Table of Contents****Tony D. Vaughn**

Benefits and Payments	Retirement/		Termination			Change in	Change in
	Voluntary Termination	Termination Without Cause	With Cause	Disability	Death	Control Job Loss	Non-Control Job Loss
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Base Salary/Performance Bonus <sup>2</sup>	0	7,560	0	0	0	0	7,560
SRIP <sup>3,4,5,6</sup>	12,829	12,829	0	12,829	11,535	13,796	14,208
BRP <sup>3,4</sup>	0	0	10,196	0	0	0	0
Accelerated Vesting of Restricted Stock <sup>7,13</sup>	0	2,450	0	0	2,450	0	2,450
Performance Share Units <sup>8,13</sup>	0	3,144	0	0	3,144	0	3,144
Other Benefits <sup>9</sup>	0	94	0	0	0	0	95
<b>Total<sup>12</sup></b>	12,829	26,077	10,196	12,829	17,129	13,796	27,457

**Lyndon C. Taylor**

Benefits and Payments	Retirement/		Termination			Change in	Change in
	Voluntary Termination	Termination Without Cause	With Cause	Disability	Death	Control Job Loss	Non-Control Job Loss
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Base Salary/Performance Bonus <sup>2</sup>	0	4,427	0	0	0	0	4,427
SRIP <sup>3,4,5,6</sup>	6,892	6,892	0	6,892	6,372	7,576	8,622
BRP <sup>3,4</sup>	0	0	2,765	0	0	0	0
Accelerated Vesting of Restricted Stock <sup>7,13</sup>	0	1,766	0	0	1,766	0	1,766
Performance Share Units <sup>8,13</sup>	0	2,257	0	0	2,257	0	2,257
Other Benefits <sup>9</sup>	0	110	0	0	0	0	112

<b>Total</b> <sup>12</sup>	6,892	15,452	2,765	6,892	10,395	7,576	17,184
----------------------------	-------	--------	-------	-------	--------	-------	--------

<sup>1</sup> Values in thousands (except in footnotes).

<sup>2</sup> The tables assume a December 31, 2018 employment termination. In such a scenario, each executive would be entitled to the cash incentive performance bonus earned for the year, which for 2018 is 90% of target. Accordingly, the amounts shown include the 2018 Non-Equity Incentive Plan Compensation disclosed in the Summary Compensation Table on page 57.

<sup>3</sup> Participants are vested in their benefits under the SRIP after five years of service. Benefits under the SRIP and the BRP are mutually exclusive; participants will not receive a benefit under the SRIP if they are receiving a benefit under the BRP, and vice versa. Except for Mr. Hager, who is not a participant in the BRP, participants forfeit their benefits under the SRIP if

---

**Table of Contents**

they are terminated for cause and instead receive benefits under the BRP. Benefits paid under the SRIP or the BRP are reduced by any amounts payable under the Defined Benefit Plan so that there is no duplication of benefits.

- <sup>4</sup> The values shown for the SRIP and the BRP benefits for each named executive officer are the present values as of December 31, 2018 of the benefits that would be payable under the SRIP or BRP as of each executive's earliest possible benefit commencement date. Except in the case of a change in control where the benefit is paid as a lump sum and in the case of benefits payable to a beneficiary upon death as a monthly single life annuity, the calculations assume that 25% of participants would elect the SRIP and BRP benefits in the form of a single life annuity and 75% of participants would elect a 100% joint and survivor annuity. All other assumptions are the same as those used to determine the present value of benefits disclosed in the Pension Benefits Table.
- <sup>5</sup> Under the SRIP, a participating named executive officer would receive credit for an additional three years of service and an additional three years of age when determining his SRIP benefit if, within 24 months following a change in control, the officer is terminated without cause or terminates his employment for good reason. All benefits under the SRIP are payable as a lump sum payment within 90 days following a change in control where the lump sum payment is the present value of the unreduced accrued benefit payable immediately. The lump sum amount shown is based on the lump sum rate in effect for payments beginning January 2019.
- <sup>6</sup> Participants are immediately vested in the SRIP accrued benefit upon death. The benefit is payable to a participant's beneficiary at the date the participant would have reached age 55 with 10 years of service, reduced by subsidized early retirement factors and assumes that the participant had elected a 100% joint and survivor pension.
- <sup>7</sup> Values displayed for acceleration of vesting of restricted stock represent the 2018 year-end closing market price of Devon's common stock, which was \$22.54 per share.
- <sup>8</sup> In the case of a without cause employment termination, performance share units remain outstanding for the duration of the performance period and thereafter pay out to the executive officer at the level earned based on the level of performance certified by the Compensation Committee. Values displayed represent the target shares of outstanding grants multiplied by the 2018 year-end closing market price of Devon's common stock, which was \$22.54.
- <sup>9</sup> Executive officers are entitled to (a) 36 months of post-termination company-paid life insurance, coverage of \$1,000,000, valued based on age; (b) the equivalent of 18 months of continuing health benefits less applicable active employee premiums following termination without cause or following their termination in connection with a change in control; (c) a payment in an amount equal to 18 times the monthly COBRA premium following termination without cause or following their termination in connection with a change in control; and (d) outplacement services with a maximum value of \$35,000. For Messrs. Hager, Vaughn and Taylor, the amounts reported also include an

enhancement in post-retirement medical benefits of approximately \$439, \$274 and \$1,864, respectively, upon a change in control.

- <sup>10</sup> Mr. Hager participates in the DC SERP in lieu of participating in the SRIP. Under the DC SERP, an executive is entitled to an additional three years of contributions by the Company if, within 24 months following a change in control, he is terminated without cause or terminates his employment for good reason.
- <sup>11</sup> Messrs. Hager's and Ritenour's benefits under the SCRPs would become 100% vested upon a change in control.
- <sup>12</sup> Devon's nonqualified employee benefit plans, including the SRIP, the BRP, the Deferred Compensation Plan, the DC SERP and the SCRPs, and employment agreements are subject, all or in part, to Section 409A of the Internal Revenue Code, which requires certain payments made under these plans and agreements to be delayed for six months following termination of employment.
- <sup>13</sup> In the case of a change in control, restricted stock only vests if the change in control results in a job loss for the named executive officer. For Performance Share Units, shares only vest if change in control results in a job loss for the named executive officer or if the acquiring company is not listed on a national securities exchange.

**Table of Contents****Payments and Benefits Associated with Mr. Marcum's August 1, 2018 Employment Termination<sup>2</sup>**

<b>Item</b>	<b>Termination Without Cause</b>
	<b>(\$)</b>
Base Salary/Performance Bonus <sup>3</sup>	3,623
SRIP <sup>4</sup>	3,867
Accelerated Vesting of Restricted Stock <sup>5</sup>	2,017
Continuation of Performance Share Units <sup>6</sup>	2,767
Health Care Benefits <sup>7</sup>	19
Outplacement Assistance	7
<b>Total<sup>8</sup></b>	<b>12,300</b>

<sup>1</sup> The payments and benefits received by Mr. Marcum in connection with the termination of his employment were provided under the terms of his employment agreement with the Company, agreements applicable to long-term equity incentives previously granted and, in the case of the SRIP, the plan documents governing Devon's defined pension arrangements.

<sup>2</sup> Values in thousands (except in footnotes).

<sup>3</sup> Mr. Marcum received a lump-sum payment equivalent to three times the sum of his annual salary rate in effect at the time of his employment termination from the Company and the highest annual performance cash bonus he received during the prior three years. Additionally, he received a pro-rated annual performance cash bonus for the time he worked for the Company during 2018.

<sup>4</sup> Mr. Marcum was vested in his benefit under the SRIP at the time of his employment termination. The SRIP is paid in the form of an annuity, rather than a lump sum. The amount shown is the present value of the stream of annuity payments based on the same assumptions and methods used to determine the amounts reflected in the Pension Benefits table above.

<sup>5</sup> Vesting on 33,984 shares of performance restricted stock awards and 11,922 restricted stock was accelerated at the time of Mr. Marcum's employment termination. The amount shown aggregates these two share amounts and values them at price of \$43.94 for the Company's common stock, which was the closing price on August 2, 2018 (the first

trading day after Mr. Marcum's termination).

- <sup>6</sup> Performance share units granted to Mr. Marcum in 2016, 2017 and 2018 remained outstanding after his employment termination. The target number of shares underlying these grants was 31,218, 19,820 and 11,922, respectively. The amount shown is based on such target number of shares and a stock price of \$43.94 for the Company's common stock, which was the closing price on August 2, 2018 (the first trading day after Mr. Marcum's termination). The performance period for the 2016 grant of performance shares ended on December 31, 2018. The grant paid out at 0% of target. The number of shares ultimately paid out for the 2017 and 2018 grants will be determined based on the Company's TSR over the three-year performance periods that end December 31, 2019 and December 31, 2020, respectively.
- <sup>7</sup> Mr. Marcum was entitled to 18 months of COBRA healthcare and dental coverage under the same premium cost sharing arrangements as were applicable to active employees. Mr. Marcum was also entitled to receive a payment equivalent to 18 months of the Company portion of the COBRA premium.
- <sup>8</sup> Mr. Marcum was entitled to 36 months of continued Company-provided life insurance in the amount of \$1,000,000, but declined coverage.

#### CEO PAY RATIO

Section 953(B) of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires certain public companies to disclose the median pay of Company employees, the method of determining median employee pay (the median of the total annual compensation of all employees other than the CEO), and the ratio of CEO pay to median employee pay. Devon's employees, which are all located in the U.S. and Canada, are included in the calculation of median pay based on Devon's employee population as of December 31, 2018.

**Table of Contents**

For CEO pay, Devon used the amount for 2018 reflected in the Summary Compensation Table (SCT), which includes LTI granted in the year. In determining the median pay of employees, Devon replicated the components of the SCT with respect to 2018 for all employees. Based on this methodology, CEO pay is \$12.5 million, median employee pay is \$158.0 thousand and the ratio is 79:1.

Table of Contents**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth information about Devon's common stock as of December 31, 2018, that may be issued under Devon's equity compensation plans:

<b>Plan Category</b>	<b>Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column (a))<sup>1</sup></b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by security holders	716,633 <sup>2</sup>	66.494 <sup>3</sup>	37,750,314
Equity compensation plans not approved by security holders	0	0	0
<b>Total</b>	<b>716,633<sup>2</sup></b>	<b>66.494<sup>3</sup></b>	<b>37,750,314</b>

<sup>1</sup> Represents shares available for issuance pursuant to awards under the 2017 LTIP, which may be in the form of stock options, restricted stock awards, restricted stock units, Canadian restricted stock units, performance units, or stock appreciation rights. No new awards will be made under any other Devon long-term incentive plan in effect as of December 31, 2018. Under the 2017 LTIP, any shares granted as stock options or stock appreciation rights count against the number of securities available for future issuance under the 2017 LTIP as one share for each share granted. With respect to any other awards under the 2017 LTIP, any shares granted count against the number of securities available for future issuance under the 2017 LTIP as 2.3 shares for each share granted. The 2017 LTIP also provides that shares covered by awards under any Devon long-term incentive plans that are forfeited, cancelled or expire after the effective date of the 2017 LTIP are added to the shares available for issuance under the 2017 LTIP.

<sup>2</sup>The total reflects 716,633 shares issuable pursuant to outstanding stock options.



<sup>3</sup>The weighted-average exercise price only applies to stock options.

**Table of Contents****Security Ownership of Certain Beneficial Owners**

The following table sets forth the only persons known to the Company to be the owners of more than five percent of the outstanding shares of the Company's common stock as of December 31, 2018, based on the information available as of March 31, 2019, according to reports filed with the SEC:

<b>Name and Address of Beneficial Owner</b>	<b>Common Stock</b>	
	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class<sup>1</sup></b>
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	49,883,692 <sup>2</sup>	11.97%
BlackRock, Inc. 55 East 52 <sup>nd</sup> Street New York, NY 10055	43,024,193 <sup>3</sup>	10.32%
Invesco Ltd. 1555 Peachtree Street NE, Suite 1800 Atlanta, GA 30309	26,971,655 <sup>4</sup>	6.47%
State Street Corporation State Street Financial Center One Lincoln Street Boston, MA 02111	24,575,859 <sup>5</sup>	5.90%

<sup>1</sup> Percentage calculated using the Company's outstanding share count as of March 31, 2019.

<sup>2</sup>Pursuant to a Schedule 13G/A filed with the SEC on February 11, 2019, The Vanguard Group stated that it had sole voting power as to 553,090 shares, shared voting power as to 119,550 shares, sole dispositive power as to 49,236,315 shares and shared dispositive power as to 647,377 shares as of December 31, 2018.

<sup>3</sup>Pursuant to a Schedule 13G/A filed with the SEC on February 4, 2019, BlackRock, Inc. stated that it had sole voting power as to 38,274,532 shares and sole dispositive power as to 43,024,193 shares as of December 31, 2018.

<sup>4</sup> Pursuant to a Schedule 13G filed with the SEC on February 12, 2019, Invesco Ltd. stated that it had sole voting power as to 25,249,341 shares and sole dispositive power as to 26,971,655 shares as of December 31, 2018.

<sup>5</sup> Pursuant to a Schedule 13G filed with the SEC on February 14, 2019, State Street Corporation stated that it had shared voting power as to 22,705,926 shares and shared dispositive power as to 24,569,566 shares as of December 31, 2018.

**Table of Contents****Security Ownership of Management**

The following table sets forth as of March 31, 2019 the number and percentage of shares of our common stock beneficially owned by each of our named executive officers, Directors and Director nominees and by all our executive officers, Directors and Director nominees as a group. Unless otherwise noted, the persons named below have sole voting, sole investment power, or both.

Name of Beneficial Owner	Common Stock	
	Amount and Nature	Percent of
	Beneficial Ownership <sup>1</sup> Class	
John Richels*	831,306 <sup>2</sup>	**
David A. Hager*	691,152 <sup>3</sup>	**
Tony D. Vaughn	317,266 <sup>4</sup>	**
Jeffrey L. Ritenour	204,908 <sup>5</sup>	**
Michael M. Kanovsky*	163,490 <sup>6</sup>	**
Lyndon C. Taylor	143,534 <sup>7</sup>	**
Mary P. Ricciardello*	48,194 <sup>8</sup>	**
Duane C. Radtke*	46,438 <sup>9</sup>	**
Robert A. Mosbacher, Jr.*	41,909 <sup>10</sup>	**
John E. Bethancourt*	56,469	**
Barbara M. Baumann*	38,019	**
Robert H. Henry*	27,355 <sup>11</sup>	**
John Krenicki Jr.	6,724	**
Ann G. Fox	0	N/A
Keith O. Rattie	0	N/A
R. Alan Marcum	120,733 <sup>12</sup>	**
All of our Directors, Director nominees and executive officers, as of March 31, 2019, as a group (15 persons)	2,616,764 <sup>13</sup>	**

\*Director

\*\*Less than 1%

<sup>1</sup> For purposes of this table, shares beneficially owned include shares of common stock (including unvested shares of restricted stock with respect to which executive officers and Directors have voting power) as well as shares of common stock that can be acquired through the exercise of stock options within 60 days of March 31, 2019.

- <sup>2</sup> Includes 686,131 shares owned by Mr. Richels and 145,175 shares that are deemed beneficially owned pursuant to stock options held by Mr. Richels.
- <sup>3</sup> Includes 647,602 shares owned by Mr. Hager and 43,550 shares that are deemed beneficially owned pursuant to stock options held by Mr. Hager.
- <sup>4</sup> Includes 293,216 shares owned by Mr. Vaughn and 24,050 shares that are deemed beneficially owned pursuant to stock options held by Mr. Vaughn.
- <sup>5</sup> Includes 186,682 shares owned by Mr. Ritenour, 151 shares held in the Devon Energy Incentive Savings Plan and 18,075 shares that are deemed beneficially owned pursuant to stock options held by Mr. Ritenour.
- <sup>6</sup> Includes 20,805 shares owned by Mr. Kanovsky, 136,685 shares held indirectly through a family owned entity in which Mr. Kanovsky shares voting and investment power, and 6,000 shares that are deemed beneficially owned pursuant to stock options held by Mr. Kanovsky.

**Table of Contents**

<sup>7</sup>Includes 117,384 shares owned by Mr. Taylor and 26,150 shares that are deemed beneficially owned pursuant to stock options held by Mr. Taylor.

<sup>8</sup>Includes 42,194 shares owned by Ms. Ricciardello and 6,000 shares that are deemed beneficially owned pursuant to stock options held by Ms. Ricciardello.

<sup>9</sup> Includes 40,438 shares owned by Mr. Radtke and 6,000 shares that are deemed beneficially owned pursuant to stock options held by Mr. Radtke.

<sup>10</sup> Includes 35,909 shares owned by Mr. Mosbacher and 6,000 shares that are deemed beneficially owned pursuant to stock options held by Mr. Mosbacher.

<sup>11</sup> Includes 21,355 shares owned by Mr. Henry and 6,000 shares that are deemed beneficially owned pursuant to stock options held by Mr. Henry.

<sup>12</sup> Includes 94,583 shares owned by Mr. Marcum and 26,150 shares that are deemed beneficially owned pursuant to stock options held by Mr. Marcum. Mr. Marcum left the Company on August 1, 2018.

<sup>13</sup> Includes 287,000 shares that are deemed beneficially owned pursuant to stock options held by Directors and executive officers. The amount does not include shares owned, or deemed to be owned, by Mr. Marcum.

**Table of Contents**

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires that Devon's Directors, executive officers, and 10% stockholders file with the SEC reports concerning their ownership, and changes in their ownership, of Devon equity securities. Based solely upon a review of Forms 3, 4 and 5, and amendments thereto, furnished to us during and with respect to our most recently completed fiscal year, and any written representations of reporting persons, we believe the reporting persons timely filed all reports required by Section 16(a) during 2018.

81

**Commitment Runs Deep**

## **Table of Contents**

### ***Proposals for Inclusion in our 2020 Proxy Statement***

SEC rules permit stockholders to submit proposals to be included in our Proxy Statement if the stockholder and the proposal satisfy the requirements specified in Rule 14a-8 under the Securities Exchange Act of 1934. For a stockholder proposal to be considered for inclusion in our Proxy Statement for the 2020 Annual Meeting of Stockholders, the proposal must be received at the address provided below by December 26, 2019.

### ***Director Nominations for Inclusion in our 2020 Proxy Statement (Proxy Access)***

Our proxy-access bylaw permits a stockholder (or a group of up to 20 stockholders) owning 3% or more of the Company's outstanding common stock continuously for at least three years to nominate and include in the Company's Proxy Statement director candidates constituting up to the greater of two individuals or 20% of the Board, if the nominating stockholder(s) and the nominee(s) satisfy the requirements specified in our Bylaws. For the 2020 Annual Meeting of Stockholders, notice of a proxy-access nomination must be received at the address provided below no later than December 26, 2019 and no earlier than November 26, 2019.

### ***Other Proposals or Nominations to be brought before our 2020 Annual Meeting***

Our Bylaws permit a stockholder to propose items of business and nominate director candidates that are not intended to be included in our Proxy Statement if the stockholder complies with the procedures set forth in our Bylaws. For the 2020 Annual Meeting of Stockholders, notice of such proposals or nominations must be received at the address provided below no later than March 7, 2020 and no earlier than February 6, 2020.

If the Company moves the 2020 Annual Meeting of Stockholders to a date that is more than 30 days before or after the date which is the one year anniversary of this year's Annual Meeting date (i.e., June 5, 2020), the Company must receive notice of such proposals no earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 70th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made.

### ***Address for Submission of Notices and Additional Information***

All stockholder nominations of individuals for election as directors or proposals of other items of business to be considered by stockholders at the 2020 Annual Meeting of Stockholders (whether or not intended for inclusion in our Proxy Statement) must be submitted in writing to our Corporate Secretary at 333 W. Sheridan Avenue, Oklahoma City, Oklahoma 73102, or by email to [CorporateSecretary@devon.com](mailto:CorporateSecretary@devon.com).

In addition, both the proxy access and the advance notice provisions of our bylaws require a stockholder's notice of a nomination or other item of business to include certain information. Director nominees must also meet certain eligibility requirements. Any stockholder considering introducing a nomination or other item of business should carefully review our Bylaws.



**Table of Contents**

**What are the Board of Directors' voting recommendations?**

*For* the election of the eleven Director nominees named in this Proxy Statement for a term expiring at the next Annual Meeting of Stockholders;

*For* the ratification of the appointment of our independent auditors for 2019; and

*For* the approval, on an advisory basis, of executive compensation.

**Who is entitled to vote?**

Stockholders as of the close of business on April 8, 2019 (the Record Date) are eligible to vote their shares at the Annual Meeting. As of the Record Date, there were 415,253,337 shares of our common stock outstanding. Each share of common stock is entitled to one vote at the Annual Meeting.

**How do I vote?**

You may:

attend the Annual Meeting and vote in person; or

dial the toll-free number listed on the Proxy Card or Voting Instruction Form. Easy-to-follow voice prompts allow you to vote your shares and confirm that your voting instructions have been properly recorded. Telephone voting will be available 24 hours a day and will close at 11:59 p.m. Eastern time on June 4, 2019; or

go to the website [www.proxyvote.com](http://www.proxyvote.com) and follow the instructions, and confirm that your voting instructions have been properly recorded. If you vote using the website, you can request electronic delivery of future proxy materials. Internet voting will be available 24 hours a day and will close at 11:59 p.m. (Eastern time) on June 4, 2019; or

if you elected to receive a paper copy of your proxy materials, mark your selections on the Proxy Card, date and sign it, and return the card in the pre-addressed, postage-paid envelope provided.

**Why did I receive a Notice Regarding the Internet Availability of Proxy Materials in the mail instead of a full set of proxy materials?**

SEC rules allow companies to furnish proxy materials over the Internet. We have sent a Notice of Internet Availability of Proxy Materials (the Notice) to most of our stockholders instead of a paper copy of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a paper copy may be found in the Notice. In addition, stockholders may request to receive future proxy materials in printed form by mail or electronically by email. A stockholder's election to receive proxy materials by mail or email will remain in effect until the stockholder terminates it.

**Why did I receive paper copies of proxy materials?**

We are providing paper copies of the proxy materials instead of the Notice to certain stockholders, including those who have previously requested to receive them. If you prefer to no longer receive printed proxy materials, you may consent to receive all future proxy materials electronically via email. To sign up for electronic delivery, please follow the instructions provided in your proxy materials. When prompted, indicate that you agree to receive or access stockholder communications electronically in the future.

## **Table of Contents**

### **How do I vote the shares held in my Devon 401(k) Plan account?**

If you are a participant in the Devon Energy Corporation Incentive Savings Plan (the 401(k) Plan), you have the right to direct Fidelity Management Trust Company (the 401(k) Plan Trustee) regarding how to vote the shares attributable to your individual account. To provide your direction, please follow the instructions you received via email or on the Voting Instruction Form that you received from Broadridge Financial Solutions, Inc. (Broadridge).

The 401(k) Plan Trustee will vote your shares in the 401(k) Plan account in accordance with your instructions. **If instructions are not received by June 2, 2019, the shares credited to your account will not be voted.**

### **Will each stockholder in our household receive proxy materials?**

Generally, no. We try to provide only one set of proxy materials to be delivered to multiple stockholders sharing an address unless you have given us other instructions. Any stockholder at a shared address may request delivery of single or multiple copies of proxy materials for future meetings or an additional copy of the proxy materials for this meeting by contacting Broadridge at 1-866-540-7095.

### **Who will be admitted to the Annual Meeting?**

Admission to the Annual Meeting will be limited to our stockholders of record, persons holding proxies from our stockholders, beneficial owners of our common stock and our employees. If your shares are registered in your name, we will verify your ownership at the meeting in our list of stockholders as of the Record Date. If your shares are held through a

broker, bank or other nominee, you must bring proof of your ownership of the shares. This proof could consist of, for example, a bank or brokerage firm account statement or a letter from your bank or broker confirming your ownership as of the Record Date.

### **If I vote via telephone or the Internet or by mailing my Proxy Card, may I still attend the Annual Meeting?**

Yes.

### **What if I want to change my vote?**

You may revoke your proxy before it is voted by submitting a new proxy with a later date (by mail, telephone or Internet), by voting at the Annual Meeting, or by filing a written revocation with our Corporate Secretary. Your attendance at the Annual Meeting will not automatically revoke your proxy.

### **Who will count the votes?**

Broadridge will tabulate the votes.

**What constitutes a quorum?**

A majority of the shares entitled to vote, present in person or represented by proxy, constitutes a quorum. If you vote by telephone or Internet or by returning your Proxy Card, you will be considered part of the quorum. Broadridge, the Inspector of Election, will treat shares represented by a properly executed proxy as present at the meeting. Abstentions and broker non-votes will be counted for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner submits a proxy but does not vote on a particular proposal because the nominee does not have discretionary voting power for that item and has not received instructions from the beneficial owner.

## **Table of Contents**

### **How many votes will be required to approve a proposal?**

For the election of Directors, a nominee for Director in an uncontested election shall be elected if the votes cast for such nominee's election exceed the votes withheld in such nominee's election. Any nominee for Director in a contested election shall be elected by a plurality of the votes cast.

Our Corporate Governance Guidelines and Bylaws contain a director resignation policy which provides that any nominee for Director in an uncontested election who fails to receive a greater number of votes cast for such nominee's election than the votes cast withheld in such nominee's election shall tender his or her written offer of resignation to the Governance Committee of the Board of Directors within 90 days from the date of the election. The Governance Committee will consider all of the relevant facts and circumstances and recommend to the Board the action to be taken with respect to such offer of resignation.

With respect to all other matters, the affirmative vote of the holders of a majority of the total number of votes represented at the Annual Meeting is required to take the action.

Shares cannot be voted at the Annual Meeting unless the holder of record is present in person or by proxy.

### **Can brokers who hold shares in street name vote those shares if they have received no instructions?**

Under the rules of the New York Stock Exchange (the NYSE), brokers may not vote the shares held by them in street name for their customers and for which they have not received instructions, except with respect to a routine matter. The only matter to be voted on at the Annual Meeting that is considered routine for

these purposes is the ratification of the appointment of the independent auditors. This means that brokers may not vote your shares on any other matter if you have not given instructions as to how to vote. Please be sure to give voting instructions to your broker so that your vote will be counted.

### **How will you treat abstentions and broker non-votes?**

We will:

count abstentions and broker non-votes for purposes of determining the presence of a quorum at the Annual Meeting;

consider neither abstentions nor broker non-votes for the election of Directors;

treat abstentions as votes not cast but as shares represented at the Annual Meeting for determining results on actions requiring a majority of shares present and entitled to vote at the Annual Meeting; and

not consider broker non-votes for determining actions requiring a majority of shares present and entitled to vote at the Annual Meeting.

**Who pays the solicitation expenses?**

We will bear the cost of solicitation of proxies. Proxies may be solicited by mail or personally by our Directors, officers or employees, none of whom will receive additional compensation for such solicitation. We have retained D.F. King & Co. to assist in the solicitation of proxies at an estimated cost of \$10,500 plus reasonable expenses. Those holding shares of common stock of record for the benefit of others, or nominee holders, are being asked to distribute proxy soliciting materials to, and request voting instructions from, the beneficial owners of such shares. We will reimburse nominee holders for their reasonable out-of-pocket expenses.

**Table of Contents**

**Where can I find the voting results of the Annual Meeting?**

We will announce preliminary voting results at the Annual Meeting, and we will publish final results in a Form 8-K that will be filed with the SEC within four business days after the Annual Meeting. You may obtain a copy of this and other reports free of charge at [www.devonenergy.com](http://www.devonenergy.com), or by contacting us at (405) 235-3611 or [corporatesecretary@dvn.com](mailto:corporatesecretary@dvn.com), or by accessing the SEC's website at [www.sec.gov](http://www.sec.gov).

**Will the Company's independent auditors be available at the Annual Meeting to respond to questions?**

Yes. The Audit Committee of the Board of Directors has approved KPMG LLP to serve as our independent auditors for the year ending December 31, 2019. Representatives of KPMG LLP will be present at the Annual Meeting. They will have an opportunity to make a statement, if they desire to do so, and will be available to respond to stockholder questions.

**Where can I contact the Company?**

Our contact information is:

Corporate Secretary

Devon Energy Corporation

333 W. Sheridan Avenue

Oklahoma City, Oklahoma 73102

(405) 235-3611

**Table of Contents**

Our Board of Directors knows of no other matter to come before the meeting other than that set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. However, if any other matters should properly come before the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote such proxies as they deem advisable in accordance with their best judgment.

Your cooperation in giving this matter your immediate attention and in returning your proxy promptly will be appreciated.

**BY ORDER OF THE BOARD OF DIRECTORS**

Christopher J. Kirt

Vice President Corporate Governance

and Corporate Secretary

Oklahoma City, Oklahoma

April 24, 2019

87

**Commitment Runs Deep**



**Table of Contents**

This Proxy Statement includes the non-GAAP financial measures of Cash Return on Capital Employed and All-In Return on Capital. These measures were used as components of the Company's performance scorecard for purposes of determining the performance cash bonuses for 2018. Non-GAAP measures are not alternatives to GAAP measures, and you should not consider non-GAAP measures in isolation or as a substitute for analysis of our results as reported under GAAP. Set forth below is additional information regarding both of these measures.

**Cash Return on Capital Employed**

We define Cash Return on Capital Employed, or CROCE, as the quotient of an adjusted cash flow metric over the average capital employed. The adjusted cash flow metric is the sum of cash flow from operating activities, adjusted for balance sheet changes and settlements of intercompany foreign denominated assets and liabilities, *plus* net financing costs, adjusted for early debt retirement costs and associated tax benefits, *plus* distributions attributable to our former investment in EnLink Midstream, LLC and EnLink Midstream Partners, LP. Average capital employed is the average of the capital employed as of the beginning and ending of the relevant period, with capital employed calculated as the sum of short and long-term debt *plus* stockholders' equity attributable to Devon *less* cash and cash equivalents. A detailed calculation of Cash Return on Capital Employed is provided below, which includes reconciliations to the most directly comparable GAAP measures.

**Cash Return on Capital Employed (CROCE) (Non-GAAP)**

<b>(dollar amounts in millions)</b>	<b>2018</b>
Net cash from operating activities (GAAP)	\$ 2,228
Settlements of intercompany foreign denominated assets/liabilities	241
Changes in assets and liabilities, net	143
Adjusted net cash from operating activities (Non-GAAP)	2,612
Financing costs, net (GAAP)	594
Less: early retirement of debt	(312)
Adjusted financing costs, net (Non-GAAP)	282
Tax benefit imputed (based on 17%)	(48)
After-tax adjusted financing costs, net (Non-GAAP)	234
EnLink distributions	134
Adjusted cash flow (Non-GAAP) <sup>(1)</sup> - (a)	\$ 2,980

Total capitalization - beginning balance:

Edgar Filing: DEVON ENERGY CORP/DE - Form DEF 14A

Short and long-term debt (GAAP)	\$ 6,864
Total stockholders' equity attributable to Devon (GAAP)	9,254
Less: cash and cash equivalents (GAAP) <sup>(2)</sup>	(2,642)
Total capitalization - beginning balance (Non-GAAP)	\$13,476
Total capitalization - ending balance:	
Short and long-term debt (GAAP)	\$ 5,947
Total stockholders' equity attributable to Devon (GAAP)	9,186
Less: cash and cash equivalents (GAAP)	(2,414)
Total capitalization - ending balance (Non-GAAP)	\$12,719
Average total capitalization (Non-GAAP) <sup>(3)</sup> - (b)	\$13,098
<b>CROCE (Non-GAAP) - (a) / (b)</b>	<b>22.8%</b>

A-1

**Commitment Runs Deep**

**Table of Contents**

(1) Sum of cash flow from operating activities before balance sheet changes, after-tax net financing costs and EnLink distributions.

(2) Excludes cash and cash equivalents included in current assets held for sale.

(3) Average of the beginning and ending total capitalization balances.

**All-In Return on Capital**

All-In Return on Capital is generally intended to serve as a measurement of the internal rate of return on capital investment over a two-year period, after burdening for general and administrative expense and certain corporate costs. This measurement is based upon, among other things, the estimated future volumes and cash flows of wells brought online after the commencement of the two-year period, an assumed flat commodity price environment for purposes of calculating revenues and losses or gains on hedges and the estimated production expenses (such as lease operating expense and certain taxes) associated with the wells brought online after the commencement of the two-year period. Because this metric pertains to the estimated performance of specific wells and includes numerous assumptions, it cannot be calculated from our consolidated financial statements.

**Table of Contents**

**Devon Energy Corporation**

333 W. Sheridan Avenue

Oklahoma City, OK 73102

(405) 235-3611

[devonenergy.com](http://devonenergy.com)

**Table of Contents**

***DEVON ENERGY CORPORATION***

***333 W. SHERIDAN AVE.***

***OKLAHOMA CITY, OK 73102***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information. Vote by 11:59 p.m. Eastern Time the day before the meeting date. Have your Proxy Card in hand when you access the web site and follow the instructions.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions. Vote by 11:59 p.m. Eastern Time the day before the meeting date. Have your Proxy Card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your Proxy Card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy materials electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**DEVON ENERGY CORPORATION**

**For All** To withhold authority to vote for any individual nominee(s), mark **For All** and write the number(s) of the nominee(s) on the line below.  
**Withhold** For All Except  
**All** **All** **Except**

**Board of Directors recommends a vote FOR**  
**nominees listed in Agenda Item 1.**

Election of Directors

**Nominees:**

- 07) John Krenicki Jr.
- 08) Barbara M. Mustacher Jr.
- 09) John E. Radtke
- 10) Keith O. Rattie
- 11) Mary P. Ricciardello
- 04) David A. Hager
- 05) Robert H. Henry
- 06) Michael M. Kanovsky

**Board of Directors recommends a vote FOR**  
**Agenda Item 2.**

Ratify the appointment of the  
Company's Independent Auditors for

2019.

**Board of Directors recommends a vote  
R Agenda Item 3.**

Advisory Vote to Approve Executive  
Compensation.

**OTHER MATTERS**

Address changes and/or comments, please check this box and  
fill them on the back where indicated.

Please indicate if you plan to attend this  
meeting

**Yes    No**

Please sign exactly as your name appears above, indicating your official position or representative capacity, if applicable. If shares are held jointly, all owners should sign.

Signature [PLEASE SIGN WITHIN  
this box]

Date

Signature (Joint Owners)

Date

Table of Contents

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting**

The following proxy materials are available at [www.proxyvote.com](http://www.proxyvote.com):

**Notice and Proxy Statement**

**Annual Report on Form 10-K**

E75856-P17381-Z73880

**DEVON ENERGY CORPORATION**

**PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned stockholder of Devon Energy Corporation, a Delaware corporation, hereby nominates and appoints David A. Hager and Christopher J. Kirt, with full power of substitution, as true and lawful agents and proxies to represent the undersigned and vote all shares of common stock of Devon Energy Corporation owned by the undersigned in all matters coming before the Annual Meeting of Stockholders (or any adjournment thereof) of Devon Energy Corporation to be held at the Devon Energy Center Auditorium, 333 W. Sheridan Ave., Oklahoma City, Oklahoma, on Wednesday, June 5, 2019 at 8:00 a.m. local time. The Board of Directors recommends a vote **FOR** Agenda Items 1, 2 and 3 as set forth on the reverse side.

**WHEN PROPERLY EXECUTED, THIS PROXY WILL BE VOTED IN THE MANNER SPECIFIED ON THE REVERSE SIDE BY THE STOCKHOLDER. TO THE EXTENT CONTRARY SPECIFICATIONS ARE NOT GIVEN, THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS.**



Do not return your Proxy Card if you are voting by telephone or Internet.

**Address Changes/Comments:**

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**TO BE SIGNED ON REVERSE SIDE**