

WERNER ENTERPRISES INC  
Form DEF 14A  
April 05, 2018

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 Pursuant to §240.14a-12

WERNER ENTERPRISES, INC.  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(3) Filing Party:

(4) Date Filed:



Post Office Box 45308  
Omaha, Nebraska 68145-0308

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 8, 2018

Dear Stockholders:

Notice is hereby given that the 2018 Annual Meeting of Stockholders (the “2018 Annual Meeting”) of Werner Enterprises, Inc., a Nebraska corporation (the “Company”), will be held at the Embassy Suites Omaha-La Vista Hotel & Conference Center, 12520 Westport Parkway, La Vista, Nebraska, on Tuesday, May 8, 2018, at 10:00 a.m. local Central Daylight time. This meeting will be held for the following purposes, which are more fully described in the accompanying Proxy Statement:

1. To elect three Class III directors to each serve for a three-year term expiring at the 2021 Annual Meeting of Stockholders and until their respective successors are elected and qualified.
2. To approve an advisory resolution on executive compensation.
3. To ratify the appointment of KPMG LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2018.
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on March 19, 2018, will be entitled to receive notice of and to vote at the 2018 Annual Meeting or any adjournment thereof.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 8, 2018:** This Notice of Annual Meeting of Stockholders is not a form for voting and presents only an overview of the more complete enclosed proxy materials comprised of the Company’s (i) 2018 Proxy Statement (including a proxy for voting) relating to the 2018 Annual Meeting and (ii) Annual Report to Stockholders for the year ended December 31, 2017 (containing our Annual Report on Form 10-K for 2017 filed with the U.S. Securities and Exchange Commission on February 27, 2018). Copies of the proxy materials are available, without charge, on the Company’s website (<http://www.werner.com> under the “Investors” link) or by contacting the Corporate Secretary by telephone at (800) 228-2240 or e-mail at [invrelations@werner.com](mailto:invrelations@werner.com). The enclosed proxy materials contain important information about the Company and 2018 Annual Meeting, and you are encouraged to review these documents before voting.

All stockholders are cordially invited and encouraged to attend the 2018 Annual Meeting in person. However, regardless of whether you attend the meeting, we request that you vote and submit your proxy as promptly as possible in order to ensure the presence of a quorum and that your shares will be voted in accordance with your wishes. Voting instructions are enclosed and provided in the Proxy Statement for your convenience. If you attend the 2018 Annual Meeting, you may either (i) vote by proxy beforehand and forego voting at the Annual Meeting or (ii) revoke your proxy and cast your vote in person. If you hold your shares through a brokerage firm, bank or other nominee, follow the instructions you receive from them to vote your shares.

By Order of the Board of Directors,

James L. Johnson  
Omaha, Nebraska Executive Vice President, Chief Accounting Officer  
April 5, 2018 & Corporate Secretary

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WERNER ENTERPRISES, INC.  
Post Office Box 45308  
Omaha, Nebraska 68145-0308

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PROXY STATEMENT FOR  
ANNUAL MEETING OF STOCKHOLDERS  
MAY 8, 2018

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INTRODUCTION

We are sending you this Proxy Statement in connection with the solicitation of proxies by our Board of Directors (the “Board”) for the 2018 Annual Meeting of Stockholders of Werner Enterprises, Inc. The 2018 Annual Meeting will be held for the purposes set forth in the Notice of Annual Meeting of Stockholders on the cover page of this Proxy Statement. We are mailing the Proxy Statement, proxy and our Annual Report to Stockholders for the year ended December 31, 2017 (the “2017 Annual Report”) on or about April 5, 2018.

In this Proxy Statement, we also use the following terms and abbreviations:

• We refer to Werner Enterprises, Inc. as the “Company,” “we,” “our” or “us.”

• The 2018 Annual Meeting of Stockholders is referred to as the “Annual Meeting” or “2018 Annual Meeting.”

• References to “2017” and “for the year ended December 31, 2017” mean the Company’s fiscal year for the period beginning January 1, 2017 and ending December 31, 2017.

• The term “executive officers” means those executives listed in the Executive Officer Information section of this Proxy Statement.

• The term “Proxy Materials” means and consists of this Proxy Statement, the proxy relating to the 2018 Annual Meeting and the 2017 Annual Report.

• We also refer to our “website,” which means the Internet website available at <http://www.werner.com> under the “Investors” link, as provided in the Internet Website and Availability of Materials section of this Proxy Statement.

This Proxy Statement and our 2017 Annual Report are available on our website. In these Proxy Materials, we refer to certain reports and forms that we have filed with the U.S. Securities and Exchange Commission (the “SEC”). All of our SEC filings are available on our website, as well as the SEC website at [www.sec.gov](http://www.sec.gov). You may also request copies of our SEC filings and Proxy Materials from our Corporate Secretary at the contact information provided in the Contacting the Corporate Secretary and Executive Offices section of this Proxy Statement.

ANNUAL MEETING INFORMATION

The 2018 Annual Meeting of Stockholders will be held at 10:00 a.m. local Central Daylight time on Tuesday, May 8, 2018, at the Embassy Suites Omaha-La Vista Hotel & Conference Center, and at any adjournment(s) thereof. The Embassy Suites Omaha-La Vista Hotel & Conference Center is located at 12520 Westport Parkway in La Vista, Nebraska, which is situated near U.S. Interstate 80 and the Giles Road exit (Exit 442) in La Vista’s Southport development. Should you require additional directions to attend the meeting and vote in person, you may contact our Corporate Secretary at the contact information provided in the Contacting the Corporate Secretary and Executive Offices section. At the meeting, members of our management team will discuss our results of operations and business plans. Members of our Board of Directors are also expected to be present.

VOTING INFORMATION AND INSTRUCTIONS

Record Date. The record date for the Annual Meeting is March 19, 2018. On the record date, 72,454,202 shares of common stock (\$0.01 par value) were outstanding. At the Annual Meeting, each stockholder will be entitled to one vote (in person or by proxy) per share that is owned of record at the close of business on March 19, 2018. Our stock

transfer books will not be closed. On March 19, 2018, the closing market price of our common stock as reported on the NASDAQ Global Select Market<sup>SM</sup> was \$39.20 per share.

**Quorum.** For business to be conducted at the Annual Meeting, a quorum must be present. The presence at the Annual Meeting, either in person or by proxy, of a majority of all outstanding shares of common stock entitled to vote at the Annual Meeting will constitute a quorum for the transaction of business. Both abstentions and broker non-votes are counted for the purpose of determining whether a quorum is present for the transaction of business. If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained. “Broker non-votes” are shares held by a brokerage firm, bank or other nominee (collectively, a “broker”) that are represented by proxy at the Annual Meeting, but the broker has not received voting instructions from the beneficial owner of such shares and does not have discretionary voting power for certain matters.

**Stockholders Eligible to Vote and Voting Methods.** Only stockholders of record as of the close of business on the record date are entitled to receive notice of, attend and vote at the Annual Meeting. How you hold your shares determines the method by which you may vote your shares. Most of the Company’s stockholders hold their shares through a broker, bank or other nominee rather than in their own name. As summarized below, there are some distinctions between registered shares and those owned beneficially.

**Registered Stockholders.** If your shares are registered directly in your name with our transfer agent (Equiniti Trust Company), you are considered a “registered stockholder” and the stockholder of record with respect to those shares. If you are a registered stockholder, you may vote your shares by mail using the enclosed proxy and postage-paid return envelope and by following the instructions appearing on the proxy. As a registered stockholder, you may also vote your shares in person at the Annual Meeting by notifying and obtaining a ballot from the Corporate Secretary prior to the occurrence of any votes.

**Beneficial Owners.** If your shares are held in a brokerage account, bank or other nominee, you are considered a “beneficial owner” of shares, and you have the right to instruct your broker how to vote the shares held in your account. Your broker will inform you as to how your shares may be voted by proxy, including whether Internet or telephonic voting options are available. As a beneficial owner of shares, you may not vote in person at the Annual Meeting unless you obtain from your broker a legal proxy that gives you the right to vote the shares.

Regardless of how you hold your shares, your right to vote in person at the Annual Meeting is not affected by signing and returning the proxy by mail (as generally done by registered stockholders) or by submitting your proxy pursuant to your broker’s instructions (as done by beneficial owners, commonly by the Internet or telephone).

**Voting Your Proxy and Designated Proxy Holders.** When a proxy is executed and returned (and not revoked) prior to the Annual Meeting, the proxy will be voted according to the instructions you made when granting the proxy. Unless you specify otherwise or if no choice is indicated on your proxy, all shares of our common stock represented by the proxy will be voted:

- (i) FOR the election of ALL nominees for Class III director (Proposal 1);
- (ii) FOR the approval of the advisory resolution on executive compensation (Proposal 2);
- (iii) FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2018 (Proposal 3); and
- (iv) In accordance with the best judgment of the named proxy on any other matters properly brought before the Annual Meeting or any adjournment thereof. See Other Matters in this Proxy Statement.

For purposes of the 2018 Annual Meeting, Clarence L. (“CL”) Werner will act as the appointed and authorized “Designated Proxy Holder.” Your executed proxy appoints the Designated Proxy Holder as your duly authorized attorney-in-fact and gives the Designated Proxy Holder the power to represent and vote at the Annual Meeting all shares of our outstanding common stock that you are entitled to vote. The Designated Proxy Holder will vote your



shares as instructed by you on your proxy. If you do not provide voting instructions on the proposals discussed in this Proxy Statement, or for any other matters properly presented at the Annual Meeting, your proxy also gives the Designated Proxy Holder the discretionary authority to vote your shares represented thereby as noted in this Proxy Statement and in accordance with his best judgment.

**Revoking Your Proxy.** Any stockholder who delivers an executed proxy has the right to revoke the proxy at any time prior to the call to vote at the Annual Meeting. You may revoke your proxy before the Annual Meeting by (i) delivering a written and executed notice of revocation of the proxy to the Corporate Secretary at our executive offices prior to the Annual Meeting, (ii) executing and delivering a new proxy with a later date before the Annual Meeting or (iii) attending the Annual Meeting, informing the Corporate Secretary of your proxy revocation and voting in person. Attendance at the Annual Meeting, in and of itself, will not constitute a revocation of a proxy.

**Cumulative Voting in Director Elections.** With respect to the election of directors, Company stockholders (or their proxy holder, if one is appointed) have cumulative voting rights under the laws of the State of Nebraska. This means that you (or your proxy holder) may: (i) vote your shares for as many directors as are to be elected; (ii) cumulate your shares and give one director nominee an amount of votes equal to the total number of directors to be elected multiplied by the total number of your shares; or (iii) distribute an amount of votes calculated as described in section (ii) among as many director nominees as you desire. If you wish to vote cumulatively, you must vote in person or give your specific cumulative voting instructions to the selected proxy, and your instructions must indicate the number of votes represented by your shares that are to be cast for one or more of the director nominees. Cumulative voting is not available via Internet or telephonic voting options. The solicitation of proxies on behalf of the Board of Directors includes a solicitation for discretionary authority to cumulate votes. You may withhold authority to vote for any nominee(s) by striking through the name(s) of such nominee(s) on the accompanying proxy.

**Votes Required for Proposals and Voting Process.** If you are a beneficial owner, certain exchange rules govern how brokers can vote your shares. If your broker does not receive voting instructions from you, the broker may generally vote your shares on certain routine matters but cannot vote your shares on the election of directors, corporate governance proposals and other non-routine matters; these broker non-votes will not be treated as votes cast at the Annual Meeting on non-routine matters. With respect to the proposals described in this Proxy Statement to be voted on at the 2018 Annual Meeting, the election of directors (“Proposal 1”) and approval of the advisory resolution on executive compensation (“Proposal 2”) constitute non-routine matters. The ratification of the appointment of our independent registered public accounting firm (“Proposal 3”) is considered a routine matter.

The following votes are required for the three proposals discussed in this Proxy Statement to be voted on at the Annual Meeting, assuming the presence of a quorum:

**Proposal 1.** Directors are elected when they receive a plurality of affirmative votes cast by holders of the outstanding shares of our common stock, present or represented by proxy, at the Annual Meeting and entitled to vote thereon. This means the three nominees receiving the highest number of votes at the Annual Meeting, after taking into account any cumulative voting, will be elected to the Board. Abstentions and broker non-votes will not impact the election of directors.

**Proposal 2.** The approval of the advisory resolution on executive compensation will be decided by the affirmative vote of a majority of the outstanding shares of our common stock, present or represented by proxy, at the Annual Meeting and entitled to vote thereon. Abstentions will be counted as votes cast and will have the same effect as a vote against the resolution. Broker non-votes will not be counted as votes cast and will have no effect on the outcome of such vote.

**Proposal 3.** The ratification of the appointment of KPMG LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the outstanding shares of our common stock, present or represented by proxy, at the Annual Meeting and entitled to vote thereon. Abstentions will be counted as votes cast and will have the same effect as a vote against the matter. Broker non-votes will also be counted as votes cast; however, because brokers may vote on this routine matter, no broker non-votes are expected in connection with this Proposal 3.

**Voting Results.** Our Corporate Secretary has been appointed by the Board to serve as the inspector of election for the Annual Meeting. Proxies and ballots will be received and tabulated by the inspector of election. Preliminary voting

results will be announced at the Annual Meeting, and the inspector of election will then calculate final voting results. We will disclose the Annual Meeting voting results on a Current Report on Form 8-K filed with the SEC in accordance with SEC rules.

Stockholder Privacy. As a matter of Company policy, we keep all proxies, ballots and voting tabulations that identify individual stockholders private and confidential. Such documents are available for examination only by the inspector of election and certain Company representatives who assist with processing proxies and tabulating the vote. Stockholder votes are not otherwise disclosed, except as may be necessary to meet legal requirements.

#### EXPENSES OF SOLICITATION

We will bear all costs of this proxy solicitation, including expenses for the preparation, printing, assembly and mailing of materials. Some of our directors, officers and employees may also solicit proxies in person or by the Internet, telephone or other electronic communications, and they will not receive any additional compensation for making such solicitations. We will also reimburse brokerage firms and other custodians and fiduciaries for all reasonable expenses incurred for forwarding Proxy Materials to beneficial owners of our stock in accordance with customary practice. Your cooperation in promptly voting your shares and submitting your proxy will help to avoid additional expense in the event the Company retains an outside firm to solicit proxies.

#### OTHER MATTERS

On the date of mailing this Proxy Statement, the Board of Directors knows of no other matters to be brought before stockholders at the Annual Meeting other than the matters described in this Proxy Statement. If any other matters are properly presented at the meeting, your signed proxy authorizes the Designated Proxy Holder to vote the shares represented thereby in his discretion and according to his best judgment.

Assuming the presence of a quorum, all other matters that properly come before the Annual Meeting will each require the affirmative vote of a majority of the outstanding shares of our common stock, present or represented by proxy, at the Annual Meeting and entitled to vote thereon.

#### PROPOSAL 1 — ELECTION OF DIRECTORS

Our Articles of Incorporation provide that the Board may be divided into two or three separate classes of directors. Each class must consist of not less than two, nor more than five, directors, and the classes should be nearly equal in number as possible. Our By-Laws provide for eight directors, divided into three classes (Class I, II and III), and each class should have the same number of directors to the extent possible. Directors hold office for a term of three years and until a successor is elected and qualified. The terms of office for each class of current directors expire at the annual meeting of stockholders in the following years: Class I, 2019; Class II, 2020; and Class III, 2018.

#### DIRECTOR NOMINEES

You will be asked to elect three directors in Class III to each serve for a three-year term expiring at the 2021 Annual Meeting of Stockholders and until his respective successor is elected and qualified. The three nominees for Class III director at the 2018 Annual Meeting are:

Clarence L. Werner Patrick J. Jung Michael L. Gallagher

Clarence L. Werner, Patrick J. Jung, and Michael L. Gallagher are current Class III directors whose terms will expire at the 2018 Annual Meeting and have been nominated by the Board for re-election. Mr. Gallagher was appointed by the Board, acting upon recommendation of the Nominating and Corporate Governance Committee, on August 15, 2017, to fill a directorship vacancy. The individual qualifications, skills and experience of the nominees for director are discussed in their respective biographies in the following Director Information section.

Each of the nominees designated in this Proxy Statement has indicated his or her intention to serve as a director if elected, and the Board does not know of any reason why any nominee will be unavailable for election. In the event any nominee becomes unwilling or unable to serve as a director, the shares represented by your accompanying proxy will be voted for any substitute nominee designated by the Board, unless you expressly withhold (whether on your proxy or in person at the Annual Meeting) authority to vote your shares for the unavailable nominee or substitute nominee. There are no arrangements or understandings between any of the nominees and any other person pursuant to which any of the nominees was selected as a nominee.

## DIRECTOR INFORMATION

Identified in the table below are the director nominees and the directors whose terms will continue after the 2018 Annual Meeting. Certain information provided to us by our directors and director nominee regarding their qualifications, skills and experience is also set forth in the biographies following the table. Family relationships between any directors and executive officers are noted in the relevant biographies. None of the corporations or other organizations referenced in the biographies is a parent, subsidiary or affiliate of the Company.

## MEMBERS OF THE BOARD OF DIRECTORS

| Principal Occupation   | Term Ends | Class |
|--|-----------|-------|
| Clarence<br>L. Executive Chairman of Werner Enterprises, Inc.<br>Werner  | 2018      | III   |
| Gregory<br>L. Former Vice Chairman & Chief Executive<br>Officer of Werner Enterprises, Inc.<br>Werner  | 2020      | II    |
| Kenneth<br>M. President & Chief Executive Officer<br>of the Avenue Scholars Foundation<br>Ed.D.  | 2019      | I     |
| Patrick<br>J. Chief Operating Officer of Surdell & Partners LLC<br>Jung  | 2018      | III   |
| Dwaine<br>J. Former Thoracic Surgeon; Former Clinical Assistant Professor of Surgery at Creighton University<br>School of Medicine and University of Nebraska Medical Center<br>Jr.,<br>M.D. | 2019      | I     |
| Gerald<br>H. President of Timmerman & Sons Feeding Co., Inc.<br>Timmerman  | 2020      | II    |
| Diane<br>K. Former Executive Vice President and Corporate<br>Secretary of Union Pacific Corporation<br>Duren   | 2020      | II    |
| Michael<br>L. Chairman Emeritus of Gallagher & Kennedy<br>Gallagher  | 2018      | III   |

CLARENCE L. WERNER, 80, operated Werner Enterprises as a sole proprietorship from 1956 until the incorporation of Werner Enterprises, Inc. in September 1982. He has been a Company director since that time and also served as President until 1984. He served as our Chief Executive Officer (“CEO”) from 1984 until February 2007, and he was Chairman from 1984 until May 2011. He served as Chairman Emeritus from May 2011 until August 2015, at which time he was elected as Chairman and assumed the responsibility of Chief Executive Officer. On May 10, 2016, he stepped down as CEO and became Executive Chairman. As our founder, Mr. Werner has been actively involved in the Company’s business and operations since its inception over 60 years ago. As a result of these professional experiences, Mr. Werner brings to the Board a unique understanding of our business and operations attributed to his long-standing commitment to, management of and involvement with the Company for over 60 years, as well as his significant and extensive knowledge of the transportation industry. Mr. Werner is the father of Gregory L. Werner.

GREGORY L. WERNER, 58, was elected as a director of the Company in 1994. He served as our Treasurer from 1982 to 1986, became Vice President in 1984, and was promoted to Executive Vice President in 1996. Mr. Werner also began directing revenue equipment maintenance for Werner Enterprises, Inc. and its predecessor in 1981 and became responsible for our management information systems in 1993. Mr. Werner served as our President from April 1997 until May 2011 and as our Chief Operating Officer from 1999 to 2007. Mr. Werner was our Chief Executive Officer from 2007 to August 2015. He was also the Vice Chairman from May 2011 until August 2015. Mr. Werner resigned as an executive officer of the Company effective August 27, 2015. Mr. Werner possesses significant knowledge and a thorough understanding of our business operations and industry, which is attributed to his long-term professional experience with the Company. Because of his past positions as Vice Chairman and Chief Executive Officer, Mr. Werner also provides the Board with an important insider perspective and management's point-of-view about various aspects of our business operations and strategies. Mr. Werner is a son of CL Werner.

KENNETH M. BIRD, ED.D., 70, was appointed by our Board of Directors in 2002 to fill a vacant directorship position and was subsequently elected by the stockholders. Dr. Bird is currently the President & Chief Executive Officer of the Avenue Scholars Foundation, a nonprofit entity that serves youth education in Omaha, Nebraska. Dr. Bird previously served as Superintendent of Westside Community Schools in Omaha, Nebraska from 1992 until May 2008, and he also held various administrative positions with Westside Community Schools since 1981. He was employed by the Nebraska Department of Education from 1974 to 1981 and as a special education teacher at Westside Community Schools from 1970 to 1974. Dr. Bird's broad range of board experience is also considerable and extensive. He is active in local, state and national professional organizations as a member of various advisory councils, committees and task forces. Dr. Bird serves as a director or trustee on a number of civic boards, and he has been the recipient of several professional,

leadership and community service awards. He possesses significant overall board experience, administrative competence, executive and financial experience and proven leadership skills that enhance our Board's diversity and discussions. As a result of these professional and other experiences, Dr. Bird brings to the Board a broad perspective of our community and an appreciation of corporate governance principles that contribute to the collective qualifications, skills and experience of our Board of Directors.

PATRICK J. JUNG, 70, was elected as a Company director in 2003. He serves as the Chief Operating Officer of Surdell & Partners LLC, an advertising company in Omaha, Nebraska. Prior to his position with Surdell & Partners LLC, Mr. Jung was a practicing certified public accountant with KPMG LLP for 30 years, 20 years of which he served as an audit partner. He was also the audit engagement partner on the Company's annual audit for the year ended December 31, 1999 prior to his retirement from KPMG LLP in 2000. Mr. Jung is a member of the Board of Managers of Burlington Capital Group LLC, which acts as the Board of Managers of America First Multifamily Investors, L.P., a publicly traded company, and serves on its audit and compensation committees. Located in Omaha, Nebraska, Burlington Capital Group LLC's business involves real estate, money management and emerging markets. Mr. Jung is a director and officer of the Omaha Zoological Society and also works with several civic boards and organizations. Mr. Jung has significant knowledge and experience in financial management, accounting processes and corporate governance that is derived from his professional and other experiences. He brings to our Board substantial accounting and financial expertise and sophistication, exceptional administrative proficiency, overall board experience and comprehension of our business operations and industry that contribute to the Board's collective qualifications, skills and experience. Mr. Jung also qualifies as an audit committee financial expert and serves as Chair of both our Audit Committee and Compensation Committee.

DWAINE J. PEETZ, JR., M.D., 67, was appointed by our Board of Directors in May 2011 to fill a vacant directorship position and was elected by the stockholders at the 2012 Annual Meeting. Dr. Peetz is a thoracic surgeon from Omaha, Nebraska and retired from practice in 2011. He was formerly the Assistant Clinical Professor of Surgery at the Creighton University School of Medicine and the Clinical Assistant Professor of Surgery at the University of Nebraska Medical Center, both of which are nationally recognized and accredited medical schools located in Omaha, Nebraska. Dr. Peetz graduated from the Creighton University School of Medicine, completed his residency in thoracic surgery at the University of Michigan in Ann Arbor, Michigan and became certified by the American Board of Surgery in 1981 and American Board of Thoracic Surgery in 1983. During his distinguished career, Dr. Peetz acquired comprehensive leadership, board and administrative experience. He has been active in various professional organizations, served as the chairman and a member of several affiliated hospital committees and authored numerous medical publications and abstracts. From 1991 to 1999, he was also the chairman of the department of surgery for the Alegent Health Bergan Mercy Medical Center in Omaha, Nebraska. Because of these professional experiences, Dr. Peetz brings to the Board an important and unique point of view regarding organizational and operational management issues, business administration and financial knowledge, public health and safety expertise and valuable management insight. His sophisticated professional perspective and overall administrative adeptness are beneficial and contribute to the collective qualifications, skills and experience of our Board of Directors.

GERALD H. TIMMERMAN, 78, was appointed by our Board of Directors in May 2016 to fill a vacant directorship position and was elected by the stockholders at the 2017 Annual Meeting. Mr. Timmerman was previously a director of the Company from 1988 to 2011. Since 1969, Mr. Timmerman has been and currently serves as President of Timmerman & Sons Feeding Co., Inc., a cattle feeding, ranching and beef production enterprise based in Springfield, Nebraska, with operations in several Midwestern states. Mr. Timmerman is also a partner in several other privately held entities that engage in integrated agricultural business operations. As a result of these and other professional experiences, as well as his prior service on the boards of directors of several privately held and civic organizations, Mr. Timmerman brings to our Board substantial business experience, financial acumen and outside board experience that contributes to the Board's collective qualifications, skills and experience.



DIANE K. DUREN, 58, was elected as a director of the Company in 2017. In February 2017, Ms. Duren retired from Union Pacific Corporation, having served as Executive Vice President, Chief Administrative Officer and Corporate Secretary for four years, after serving as Vice President and General Manager–Chemicals in Marketing & Sales. Since joining Union Pacific in 1985, she held a variety of positions in the Finance and Marketing & Sales departments, including Vice President and General Manager–Agricultural Products. In 2012, Ms. Duren was one of the honorees of the Women’s Center for Advancement Tribute to Women. She was recognized by Profiles in Diversity Journal as one of the “Women Worth Watching in 2011,” and that same year, she was awarded the Creighton University College of Business Alumni Merit Award. In 2008, Ms. Duren was recognized by Pink magazine, a magazine for professional

women, as one of the top 15 women in business. Prior to her employment at Union Pacific, she was a certified public accountant with Deloitte, Haskins & Sells in Omaha. Ms. Duren holds a bachelor's degree in Business Administration from Creighton University. Ms. Duren is a member of the board of directors of U.S. Silica Holdings, Inc. and serves on its audit and compensation committees. She has been active on multiple community and industry boards including Girl Scouts – Spirit of Nebraska and American Red Cross, of which she served as chair of the Heartland Chapter in 2010 and 2011. In 2014, Ms. Duren was appointed by Omaha Mayor Jean Stothert to the Metropolitan Entertainment & Convention Authority Board of Directors and is the current Chairwoman of the Board. She also serves on the Board of Children's Hospital and Medical Center as Vice Chair. Ms. Duren's vast experience in the transportation industry, multiple leadership roles, and accounting and financial experience add great value and insight to the Board. Ms. Duren serves as Chair of our Nominating and Corporate Governance Committee.

MICHAEL L. GALLAGHER, 73, was appointed by our Board of Directors in August 2017 to fill a vacant directorship position. Mr. Gallagher is Chairman Emeritus of the law firm Gallagher & Kennedy in Phoenix, Arizona, a position he has held since 2001. Mr. Gallagher served as President of Gallagher & Kennedy from 1978 through 2000. Mr. Gallagher is a member of the board of directors of Pinnacle West Capital Corporation, a NYSE listed company; Cancer Treatment Centers of America, Western Regional Medical Center; Arizona Public Service Company; and the Peter Kiewit Foundation. He previously served as a director of AMERCO, the parent company of U-Haul International, Inc., and Action Performance, a NASDAQ company, and was a former advisory board member of AMEC, a multinational company headquartered in Europe. Mr. Gallagher's vast experience as legal counsel to numerous public and private corporations combined with his knowledge and experience from participating on the boards of other publicly-traded and private companies and his extensive experience addressing corporate governance matters gives him a unique perspective that serves the Board well.

## RECOMMENDATION OF THE BOARD OF DIRECTORS — PROPOSAL 1

The Board of Directors unanimously recommends that stockholders vote FOR the election of each director nominee. The Designated Proxy Holder of proxies solicited by the Board in this Proxy Statement will vote the proxies as directed on each proxy, or if no instruction is made, for the election of all director nominees.

## CORPORATE GOVERNANCE

### DIRECTOR INDEPENDENCE DETERMINATIONS

The Board has affirmatively determined that all members of our Board of Directors are independent pursuant to SEC rules and the listing standards adopted by NASDAQ, except for CL Werner and Gregory L. Werner. The Board has also determined that each member of the three Board committees satisfies the applicable independence requirements of NASDAQ and the SEC.

At its annual meeting, the Nominating and Corporate Governance Committee reviewed the (i) legal and regulatory standards for assessing Board and Board committee independence, (ii) criteria for determining a director's "audit committee financial expert," "non-employee director" and "outside director" status and (iii) responses to annual and biannual questionnaires completed by our directors. After completing its review, the Nominating and Corporate Governance Committee submitted its independence recommendations to our Board. Our Board then made its independence determinations based on the committee's recommendations and after considering the information available to the committee.

## ROLE AND LEADERSHIP OF THE BOARD OF DIRECTORS

One of the primary roles of the Board of Directors is to oversee our senior management in the competent and ethical operation of our business and to ensure that our stockholders' interests are being properly served. To achieve these objectives, the Board establishes and maintains high standards of responsibility and ethics that, when consistently applied and followed, contribute to our business's overall success.

The Executive Chairman presides over each Board meeting and is actively involved in determining agendas for Board meetings and serving as a liaison between our Board and management. The Board elects our Executive Chairman each

year at its annual meeting. CL Werner serves as our Executive Chairman, and Derek J. Leathers serves as our President and Chief Executive Officer. Each individual was elected by our Board at its 2017 annual meeting to serve in his current position for a one-year term or until his respective successor is duly elected and qualified, pursuant to Section 2 of Article III of our By-Laws.

The positions of Chairman and CEO are held by two individuals instead of the same person. We believe our current leadership structure is effective for us. This configuration demonstrates to our stockholders, employees and customers that our primary leadership roles are served by two qualified people who each have an extensive depth of knowledge about the Company's business and industry and are committed to our development and success. Although CL Werner is not an independent director, as our founder he demonstrates a long-standing dedication to and significant ownership interest in the Company.

Our independent directors regularly meet in "executive sessions," which are meetings conducted without the presence of management. These executive sessions are typically conducted after each quarterly Audit Committee meeting and may also be held when deemed appropriate by the independent directors. Our Audit Committee is currently comprised solely of five of our six independent directors, each of whom typically attends each Audit Committee meeting. Our independent directors do not formally select a lead independent director to preside over their executive sessions. Rather, Mr. Jung, Chair of the Audit Committee, presides over the executive sessions of the independent directors, and he also acts as a liaison between the independent directors, management and the full Board. Further information regarding the 2017 executive sessions is provided under the Committees of the Board of Directors section.

We believe that separating the Chairman and CEO positions, having the majority of our Board and each Board committee comprised of independent directors (who meet regularly in executive sessions) and having independent directors serve as Chairs of our Board committees provides an effective and strong leadership structure for the Company. Our Board has the flexibility to continue or modify our leadership structure in the future, as the Board deems appropriate.

## BOARD OVERSIGHT OF RISK MANAGEMENT

Company management is responsible for risk assessment and mitigation on a Company-wide basis, and our Board oversees and reviews these risk management efforts overall. Our Board believes that risk oversight fundamentally includes understanding the material risks we confront and how management responds to such risks, as well as a comprehension of what risk levels are appropriate for us. Typically, management identifies and measures various risks facing the Company and analyzes the factors associated with such risks, such as the probability and frequency of occurrence and potential impact on our cash flow, financial results and overall business and operations. Diverse types of risk are identified which are generally competitive, economic, regulatory or technological in nature. Management then develops response plans to address, mitigate and monitor identified risks and also reports and discusses these risks and plans with the Board. In its risk oversight role, our Board regularly evaluates and confers with management about the objectives of and risks involved with each plan. The Board also considers risk when assessing our business strategies and objectives, which is also integral to the Board's risk management and tolerance evaluations.

While our Board has overall responsibility for risk oversight, each of the Board committees considers certain risks within its respective area of responsibility. Our Audit Committee has primary oversight responsibility with respect to risks relating to internal controls over financial reporting and contingent liabilities and risks that may be material to the Company. As discussed in the Risk Management Related to Compensation section, our Compensation Committee considers the Company's risks in determining whether our executive compensation program encourages executive officers to take unreasonable risks relating to our business. Our Nominating and Corporate Governance Committee reviews risks related to legal and regulatory compliance concerning various corporate governance matters. The risk oversight roles of the Board, Audit Committee, Compensation Committee and Nominating and Corporate Governance

Committee did not impact our leadership structure because our Board is comprised of a majority, and such Board committees consist entirely, of independent directors.

#### CORPORATE GOVERNANCE POLICIES AND MATERIALS

The members of our Board of Directors possess a variety of experience, knowledge and judgment, and the diversity of these skills complements our corporate governance structure. Our corporate governance policies are designed to enable effective and thorough decision-making and to allow proper and comprehensive monitoring of the Company's performance and compliance. These policies are also meant to provide our Board with practical guidelines that are

regularly reviewed and can be appropriately revised and updated in response to regulatory developments and evolving business and governance practices. Our fundamental corporate governance principles and practices are set forth in our Code of Corporate Conduct and other policies, each of which is available on our website. Pursuant to SEC rules, we will disclose amendments to or waivers from our Code of Corporate Conduct, as they relate to our CEO, Chief Financial Officer (“CFO”) and Chief Accounting Officer (“CAO”), on our website or in a Current Report on Form 8-K filed with the SEC. To date, we have not granted any waivers from our Code of Corporate Conduct to the CEO, CFO or CAO.

#### COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors conducts its business through (i) meetings of the Board, (ii) actions taken by written consent in lieu of meetings, (iii) actions of its committees and (iv) discussions with management, the independent auditors and other consultants retained from time to time. The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee (the “Governance Committee”). The Governance Committee evaluates each committee’s composition and appoints committee members annually, subject to Board approval, and such assignments may change from time to time. A majority of full committee membership elects committee Chairs, unless elected by the full Board. Committee members cannot be removed except by a majority vote of independent directors in office at the time. The responsibilities and duties of each committee are discussed below.

Our Board delegates various responsibilities and authority to the committees to foster the effective governance of the Company. Each committee also meets periodically or when appropriate and reports their respective activities and actions to the full Board. The committees operate pursuant to written charters (including any amendments thereto) approved and adopted by the Board. Each committee charter is available on our website.

The composition of each Board committee is as follows:

#### BOARD COMMITTEE MEMBERSHIP AND 2017 MEETINGS HELD

| Name                       | Audit Committee | Compensation Committee | Governance Committee | Board of Directors |
|----------------------------|-----------------|------------------------|----------------------|--------------------|
| Clarence L. Werner         |                 |                        |                      | X                  |
| Gregory L. Werner          |                 |                        |                      | X                  |
| Kenneth M. Bird, Ed.D.     | X               |                        |                      | X                  |
| Patrick J. Jung            | Chair           | Chair                  |                      | X                  |
| Dwaine J. Peetz, Jr., M.D. |                 | X                      | X                    | X                  |
| X                          |                 | X                      |                      | X                  |

|  |   |       |                  |  |
|--|---|-------|------------------|--|
| Gerald<br>H.<br>Timmerman                              |   |       |                  |  |
| Diane<br>K. X  | X | Chair | X                |  |
| Duren<br>Michael<br>L. X                               |   | X     | X                |  |
| Gallagher <sup>(1)</sup><br>Number<br>of 4<br>Meetings | 4 | 3     | 4 <sup>(2)</sup> |  |

Michael L. Gallagher was appointed to the  
(1) Board on August 15, 2017 to fill a directorship  
vacancy.

(2) Four (4) executive sessions of the independent  
directors were held in 2017.

#### ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS AND ANNUAL MEETING

During 2017, each incumbent director attended and participated in at least 75% or more of the aggregate of (i) the total number of meetings of the Board of Directors (held during the period for which he has been a director) and (ii) the total number of meetings held by all Board committees on which he served (during the periods that he served). We encourage directors to attend annual meetings of stockholders, although we do not have a formal policy regarding director attendance at these meetings. Seven of our eight directors then serving and our director nominee attended our Annual Meeting of Stockholders in May 2017. The number of meetings conducted in 2017 by the Board and each Board committee are provided in the 2017 Board Committee Membership table.

## AUDIT COMMITTEE

In accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the “Exchange Act”), our Board of Directors established a separately-designated standing Audit Committee to oversee our accounting and financial reporting policies and processes, our internal control systems, and the services performed by our independent registered public accounting firm. Such oversight is performed in accordance with applicable SEC rules and NASDAQ listing standards. Please refer to the Report of the Audit Committee section for the 2017 report. As more fully described in its charter, the Audit Committee’s responsibility for overseeing our accounting and financial reporting processes includes but is not limited to:

- Discussing the annual audit and resulting letter of comments with management;
- Consulting with the auditors and management regarding the adequacy of internal controls;
- Reviewing our financial statements with management and the independent auditors prior to their release;
- Evaluating with management the process used to support the CEO and CFO certifications that accompany our periodic SEC filings;
- Appointing the independent auditors for the next fiscal year;
- Reviewing and approving all audit and non-audit services and fees;
- Overseeing the work of our internal audit department and independent auditors; and
- Assessing and maintaining procedures for the anonymous submission of complaints concerning accounting and auditing irregularities.

The Audit Committee meets in executive session with our independent auditors and also in a separate executive session with the head of our internal audit department. These meetings are conducted without the presence of our management and occur at each quarterly Audit Committee meeting. In 2017, as Audit Committee Chair, Mr. Jung also participated in four additional meetings with management and the independent auditors for the purpose of reviewing the Company’s financial results prior to the issuance of our quarterly earnings press releases.

**Audit Committee Independence and Financial Expert.** Our Board of Directors has determined that each Audit Committee member (i) meets the independence criteria prescribed by Rule 10A-3(b)(1) and Section 10A(m)(3) of the Exchange Act; (ii) is independent under the NASDAQ listing standards and (iii) has sufficient knowledge and sophistication in financial and auditing matters under the NASDAQ rules. The Board also designated Mr. Jung as an “audit committee financial expert” as defined under the SEC rules upon determining that Mr. Jung possesses the requisite qualifications and experience.

## COMPENSATION COMMITTEE

The Compensation Committee is responsible for determining and approving the compensation of our executive officers. The Compensation Committee may consider the recommendations of our Executive Chairman and President & CEO. Prior to making any such compensation determinations, the committee performs an annual review of all compensation elements for our executive officers, including but not limited to base salary, incentive cash bonuses and stock awards. Our Compensation Committee is tasked with evaluating and approving our overall executive compensation strategy and elements to ensure such components align with our business objectives, stockholder interests and responsible corporate practices and culture. Additionally, the Compensation Committee is responsible for recommending to the Board the compensation policies for our independent directors and overall Board members. The Compensation Committee has responsibility for oversight of and determining awards of equity compensation pursuant to the Werner Enterprises, Inc. Amended and Restated Equity Plan (the “Equity Plan”).

The Report of the Compensation Committee section contains the 2017 report. For more information about the Compensation Committee’s activities, refer to the Compensation Discussion and Analysis and Report of the Compensation Committee sections of this Proxy Statement. The Compensation Committee’s functions are also



described in its charter.

Compensation Committee Independence. Our Board of Directors has determined that all current Compensation Committee members satisfy the applicable SEC and NASDAQ independence requirements. Each Compensation Committee member is also (i) a “non-employee director” as defined by Rule 16b-3 under the Exchange Act and (ii) an

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“outside director” as defined in Section 162(m) of the Internal Revenue Code and U.S. Treasury Regulation Section 1.162-27.

Compensation Committee Interlocks and Insider Participation. No member of the Compensation Committee was an officer or employee of the Company at any time during 2017 or on the date of this Proxy Statement. In 2017, no member of the Compensation Committee had any relationships or transactions with the Company that would require disclosure as a “related person transaction” under the SEC rules and regulations and in the Proxy Statement section entitled Transactions with Related Persons. During 2017, none of our executive officers served on the board of directors or compensation committee of any other entity whose executive officer(s) served as a member of our Board of Directors or Compensation Committee.

#### NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Our Governance Committee is comprised only of directors whom the Board has determined satisfy the applicable SEC and NASDAQ independence requirements. The Governance Committee is responsible for the director nomination process. These duties include assisting the Board in identifying, evaluating and recruiting qualified potential candidates for election to the Board. The Governance Committee recommends for the Board’s approval the director nominees for any election of directors. This process is described further in the Director Nomination Process section.

The Governance Committee is also responsible for various corporate governance matters, including the development and oversight of our corporate governance policies, compliance practices and ethical standards of conduct for our directors, officers and employees. The committee makes recommendations to the Board regarding our corporate governance processes and reviews our Code of Corporate Conduct. The Governance Committee also monitors the effectiveness, and advises on the composition, structure and size, of our Board and Board committees. It also annually assists our Board with its independence and expertise determinations. The Governance Committee has oversight of the administration of our policies regarding “related person transactions” (as discussed under the Transactions with Related Persons section herein), and the committee reviews and approves or disapproves any such transaction when such approval is required by SEC and NASDAQ rules and regulations. A more complete description of the Governance Committee’s functions is provided in its charter.

#### STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

The Board of Directors established a process by which stockholders and other parties may communicate directly with members of the Board or the independent directors as a group. This process is described in our Stockholder Communications Procedure for Communicating with the Board of Directors, included on our website. You may direct any matter intended for the Board or independent directors by writing to the intended recipients in care of our Corporate Secretary at our executive offices. Generally, the Corporate Secretary will forward any received correspondence according to the stockholder’s instructions. The Corporate Secretary, however, reserves the right not to forward any abusive, threatening or otherwise inappropriate materials. A majority of our independent directors approved the process for collecting stockholder communications received by our Corporate Secretary on the Board’s behalf.

#### DIRECTOR NOMINATION PROCESS

Generally, the Governance Committee considers director candidates recommended by Board members, management and stockholders. Nominees for the Board of Directors are then selected by the Governance Committee according to the process summarized below and described in our current Nominating and Corporate Governance Committee Directorship Guidelines and Selection Policy (the “Directorship Guidelines Policy”) and Policy Regarding Director

Recommendations by Stockholders (the “Stockholder Recommendation Policy”). Both policies are available free of charge on our website. Stockholders may also request a copy of these policies by contacting our Corporate Secretary at our executive office address or telephone number provided in this Proxy Statement. Each policy was approved by the Board of Directors and is administered by the Governance Committee. The Governance Committee evaluates the policies regularly and may update and revise the policies from time to time, subject to Board approval, when appropriate and as applicable legal or listing standards change.

Stockholder Recommendations for Director Candidates. With respect to director candidates identified by stockholders, the Stockholder Recommendation Policy applies. In accordance with the Stockholder Recommendation Policy, the Governance Committee will consider candidates proposed by only “qualified stockholders.” A “qualified stockholder”

is an individual stockholder or group of stockholders that has beneficially owned at least 2% of our issued and outstanding common stock for at least one year (and will hold such percentage of stock through the date of the annual meeting, and if the recommended candidate is elected, through his or her term of service). Such stock ownership is determined as of the date the stockholder recommendation is submitted. You must submit stockholder director candidate recommendations in a written proposal, and each proposal must include all information required and requested by the Stockholder Recommendation Policy.

In order for a stockholder's candidate to be evaluated and considered as a prospective nominee, you must submit your recommendation to our Corporate Secretary not less than 120 days before the one-year anniversary of the release date of the previous year's proxy statement. (For example, the release date of the 2017 proxy statement was April 6, 2017. Stockholder recommendations intended for consideration for the director elections at the 2018 Annual Meeting needed to be submitted on or before December 7, 2017.) Stockholder recommendations for director nominees must be submitted no later than the close of business on December 6, 2018 for the 2019 Annual Meeting of Stockholders.

Stockholder recommendations for director candidates must be accompanied by a description of each candidate's qualifications in sufficient detail to permit the Governance Committee to evaluate whether each candidate satisfies the independence, financial literacy and experience requirements of the SEC, NASDAQ or other applicable laws or regulations. Director candidates proposed by stockholders in accordance with the Stockholder Recommendation Policy are evaluated by the Governance Committee in the same manner as any other prospective candidate during the director nominee selection process. We have not engaged and have not paid any fees to any third party for assistance with the director nomination process.

In addition to the requirements described above and in the Stockholder Recommendation Policy, all written stockholder proposals containing director candidate recommendations must comply with Rule 14a-8 of the Exchange Act. Rule 14a-8 sets forth the requirements for the inclusion of stockholder proposals in company-sponsored proxy materials. Contact information for our Corporate Secretary is provided in the Contacting the Corporate Secretary and Executive Offices section.

**Desirable Skills and Traits for Director Candidates.** Generally, candidates for director positions should possess the following skills and traits:

- Relevant business and financial expertise and experience, including an understanding of fundamental financial statements;
- The highest character and integrity and a reputation for working constructively with others;
- Sufficient time to devote to meetings and consultation on Board matters; and
- Freedom from conflicts of interest that would interfere with the candidate's performance as a director.

The Governance Committee evaluates prospective nominees against certain minimum standards and qualifications, as identified in the Directorship Guidelines Policy, and the committee will strive to recommend director nominees who satisfy these standards and qualifications in large part. The basic standards and qualifications set forth in the Directorship Guidelines Policy include but are not limited to those skills and traits listed above and as follows:

- Representation of our stockholders as a whole;
- Background that contributes to a Board comprised of individuals with varied occupational experience and perspective;
- Leadership experience and ability to exercise sound business judgment;
- Accomplishments, credentials and recognition in their respective field;
- Contributions to the Board's skills, competency and qualifications through expertise in an area of business significant to our Company;
- Personal and professional reputation for integrity, honesty, fairness and other similar traits; and
- Knowledge of issues affecting us and critical aspects of our business and operations.

The Governance Committee also considers other relevant factors, such as the balance of management and independent directors, the need for Audit Committee or other Board committee expertise, relevant industry experience and the candidate's understanding of financial matters and financial sophistication, literacy and proficiency. Our Governance Committee does not have a formal policy with respect to diversity; however, the Governance Committee considers it

desirable if potential nominees complement and contribute to the Board's overall diversity and composition. In this respect, we broadly construe diversity to mean an array of opinions, perspectives, skills, personal and professional experiences and backgrounds and other distinguished attributes. Diversity is not solely limited to gender, race and ethnicity distinctions; rather, our interpretation of diversity also includes one's ability to positively contribute to the chemistry and collaborative nature of our Board, as well as one's personal and professional experiences, aptitude and expertise relevant to our transportation and logistics services industry.

## DIRECTOR COMPENSATION AND BENEFITS

Only independent directors on our Board receive compensation for their service as one of our directors. The independent directors receive an annual compensation package that is designed to attract, motivate and retain highly qualified independent professionals to represent our stockholders. Directors who are employees of the Company do not receive any compensation for their service on our Board of Directors.

In March 2017, the Compensation Committee approved changes to the independent director compensation package, which became effective on April 1, 2017. Our cash compensation package for independent directors was last changed in 2007. The compensation package that was effective from January 1, 2017 to March 31, 2017 included the following components (with cash compensation paid in quarterly installments): (i) \$15,000 annual cash retainer for Board membership, (ii) annual committee chair retainers of \$10,000 Audit Committee and \$5,000 Compensation Committee, (iii) meeting fees of \$2,000 for each Board meeting and \$2,000 for each committee meeting not held on the same day as a Board meeting, and (iv) eligibility for stock awards.

Our current 2017 annual compensation package for independent directors, effective April 1, 2017, is comprised of the annual cash retainers and restricted stock awards provided in the Independent Director Retainers and Fees table that follows. We will also reimburse each independent director at cost for all of their respective reasonable out-of-pocket travel expenses incurred in connection with their attendance at Board and Board committee meetings and for other reasonable out-of-pocket expenses directly related to their Board and Board committee service.

### INDEPENDENT DIRECTOR RETAINERS AND FEES

| Fee or Retainer  | Amount Paid in 2017                                |
|--|--|
|  | \$50,000   |
| Annual Cash Retainer for Board Membership  | (paid in quarterly installments of \$12,500 each)  |
|  | \$15,000   |
| Annual Cash Retainer for the Audit Committee Chair                               | (paid in quarterly installments of \$3,750 each)   |
|  | \$10,000   |
| Annual Cash Retainer for the Compensation Committee Chair                        | (paid in quarterly installments of \$2,500 each)   |
|  | \$5,000  |
| Annual Cash Retainer for the Nominating and Corporate Governance Committee Chair | (paid in quarterly installments of \$1,250 each)   |
|  | \$50,000   |
| Annual Restricted Stock Award for Board Membership                               | (three year vesting period from the date of grant) |

**Director Stock Ownership.** We do not have formal stock ownership requirements for independent directors. The individual stock ownership of each independent director is set forth in the table under the Stock Ownership of Directors, Executive Officers and Certain Beneficial Owners section of this Proxy Statement.



Compensation of Directors for 2017. The Director Compensation for 2017 table presents the compensation of each individual serving as an independent director during 2017 for service on our Board and its committees. This table does not include those directors who are also Company employees or related parties because such directors are not considered independent directors and thus did not receive any compensation in 2017 for their service on our Board. CL Werner was a director and an executive officer other than a named executive officer, and he received total compensation of \$24,437 for 2017 solely in his capacity as an executive officer and did not receive any additional compensation for services provided as a director. Our independent directors do not participate in any benefit, pension or nonqualified deferred compensation plan of the Company. For these reasons, we have omitted those columns from the table.

## DIRECTOR COMPENSATION FOR 2017

| Name   | Fees             |                         |   | All Other Compensation (\$) | Total (\$) |
|--|------------------|-------------------------|---|-----------------------------|------------|
|  | Earned Cash (\$) | Stock Awards (\$)(1)(2) | Non-Equity Incentive Plan Compensation (\$) |                             |            |
| Kenneth M. Bird, Ed.D.   | 49,250           | 50,000                  | —   | —                           | 99,250     |
| Diane K. Duren Michael L. Gallagher Patrick Jung Dwaine J. Peetz Jr., M.D. Gerald Timmerman Michael L. Steinbach <sup>(3)</sup> Duane K. Sather <sup>(3)</sup> | 33,750           | 50,000                  | —   | —                           | 83,750     |
|  | 18,750           | 37,500                  | —   | —                           | 56,250     |
|  | 71,750           | 50,000                  | —   | —                           | 121,750    |
|  | 49,250           | 50,000                  | —   | —                           | 99,250     |
|  | 43,250           | 50,000                  | —   | —                           | 93,250     |
|  | 18,250           | —                       | —   | —                           | 18,250     |
|  | 30,750           | 50,000                  | —   | —                           | 80,750     |

(1) On May 9, 2017, each of the independent directors who continued to serve on the Board after the 2017 Annual Meeting received an annual award of 1,934 shares of restricted stock with a grant date fair value of \$25.8533 per share. On August 21, 2017, Michael L. Gallagher was awarded 1,229 shares of restricted stock, a prorated award in conjunction with his



appointment to the Board, with a grant date fair value of \$30.5034 per share. The grant date fair value is based upon the market price of the underlying common stock on the grant date, reduced by the present value of estimated future dividends because the award is not entitled to receive dividends prior to vesting. The present value of estimated future dividends was calculated based on a \$0.07 quarterly dividend amount per share and 1.5% risk-free interest rate. Further discussion of the valuation and assumptions regarding our stock awards is provided in Note 5 of our Consolidated Financial Statements in our Annual Report on Form 10-K for 2017.

The aggregate number of shares of unvested restricted stock outstanding at December 31, 2017 for each independent director (2) is as follows: Dr. Bird 2,924; Ms. Duren 1,934; Mr. Gallagher 1,229; Mr. Jung 2,924; Dr. Peetz 2,924; and Mr. Timmerman 2,594. No option awards were outstanding.

Mr. Steinbach retired from the Board on May 9, 2017, and Mr. (3) Sather retired from the Board on August 15, 2017, upon which their unvested restricted stock awards became fully vested.

During 2017, restricted stock was granted to the independent directors on May 9, 2017 and to Mr. Gallagher on August 21, 2017. The grants of restricted stock to the independent directors were made in accordance with our Amended and Restated Equity Plan, and pursuant to the Restricted Stock Award Agreements with the restricted stock recipients, the restricted stock is subject to service-based vesting provisions. Beginning one year after the grant date of each award, the restricted stock will vest annually in three increments of 34%, 33% and 33%, respectively. The awards will then become fully vested on May 9, 2020 and August 21, 2020, respectively. The independent directors do not have any voting or dividend rights with respect to such stock until it is vested, and there are not any post-vesting sales restrictions on the shares. (The Amended and Restated Equity Plan and the Form of Restricted Stock Award Agreement were both included as exhibits to our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 27, 2018.) We did not grant any stock options or stock appreciation rights (“SARs”) to our independent directors in 2017.

## EXECUTIVE OFFICERS

Our By-Laws provide that each executive officer holds his or her respective office for a term of one year or until his or her successor becomes duly elected and qualified, except that a term may be (i) longer than one year if such service is specified in an employment contract or (ii) terminated sooner than one year because of death, resignation or otherwise. Pursuant to the By-Laws, our Board of Directors elects our executive officers at the Board's annual organizational meeting immediately following the annual meeting of stockholders.

## EXECUTIVE OFFICER INFORMATION

The table that follows identifies our current executive officers and the capacities in which they now serve. Set forth following the table is certain biographical information provided to us by these executive officers regarding their acquired business skills and experience.

## EXECUTIVE OFFICERS

| Name                | Position with the Company  | Age |
|---------------------|--|-----|
| Clarence L. Werner  | Executive Chairman   | 80  |
| Derek J. Leathers   | President & Chief Executive Officer                                      | 48  |
| H. Marty Nordlund   | Senior Executive Vice President & Chief Operating Officer                | 56  |
| John J. Steele      | Executive Vice President, Treasurer & Chief Financial Officer            | 60  |
| Jim S. Schelble     | Executive Vice President & Chief Administrative Officer                  | 57  |
| James L. Johnson    | Executive Vice President, Chief Accounting Officer & Corporate Secretary | 54  |
| Craig T. Callahan   | Executive Vice President & Chief Commercial Officer                      | 44  |
| Nathan J. Meisgeier | Executive Vice President & Chief Legal Officer                           | 44  |

For information regarding the business experience of Clarence L. Werner, please refer to Director Information under the Proposal 1 – Election of Directors section of this Proxy Statement.

DEREK J. LEATHERS joined the Company in 1999 as the Managing Director–Mexico Division. During his tenure with us, he has served in the following positions: (i) Vice President–Mexico Division in 2000; (ii) Vice President–International in 2001; (iii) Senior Vice President–International in April 2003; (iv) Senior Vice President–Van Division and International in July 2003; (v) Executive Vice President–Van Division and International in 2004; (vi) Senior Executive Vice President and President of Werner Global Logistics in 2006; and (vii) Chief Operating Officer in 2008. The Board then appointed Mr. Leathers our President in 2011 and Chief Executive Officer in May 2016, and he currently serves in both positions. Prior to joining the Company, Mr. Leathers was Vice President of Mexico Operations for two years at Schneider National, a large truckload carrier, and he held various other management positions during his eight-year career at Schneider National.

H. MARTY NORDLUND joined us in 1994 as an account executive. He then received the following promotions within the Company: (i) Director of Dedicated Fleet Services in 1995; (ii) Senior Director of Dedicated Fleet Services

in 1997; (iii) Vice President–Dedicated Fleet Services in 1998; (iv) Vice President–Specialized Services in 2001; (v) Senior Vice President–Specialized Services in 2003; (vi) Executive Vice President–Specialized Services in 2005; and (vii) Senior Executive Vice President—Specialized Services in 2006. In May 2016, Mr. Nordlund was named to his current position as Senior Executive Vice President and Chief Operating Officer. Before joining the Company, Mr. Nordlund held various management positions with Crete Carrier Corporation, a large privately held truckload carrier.

JOHN J. STEELE joined the Company in 1989 as Controller. During his time with us, he was appointed to the following positions: (i) Corporate Secretary in 1992; (ii) Vice President–Controller & Corporate Secretary in 1994; (iii) Vice President, Treasurer & Chief Financial Officer in 1996; and (iv) Senior Vice President, Treasurer & Chief Financial Officer in 2004. He was named to his current position as Executive Vice President, Treasurer & Chief Financial Officer in 2005. Mr. Steele was employed by the independent public accounting firm of Arthur Andersen & Co. as a certified public accountant from 1979 until his employment with the Company in 1989. Mr. Steele also serves on the board of directors of Morningside College.

JIM S. SCHELBLE joined us in 1998 as Manager of New Business Development. During his tenure with us, Mr. Schelble was promoted to the following positions: (i) Director of National Accounts in 1999; (ii) Senior Director of Dedicated Services in 2000; (iii) Associate Vice President of Corporate and Dedicated Sales in 2002; (iv) Vice President–Sales in 2003; (v) Senior Vice President–Sales in 2004; (vi) Executive Vice President–Sales and Marketing in 2005; and (vii) Executive Vice President of Marketing and Driver Resources in 2015. In May 2016, Mr. Schelble was named to his current position as Executive Vice President and Chief Administrative Officer. Prior to joining the Company, Mr. Schelble spent twelve years with Roadway Express, a less-than-truckload carrier, in a variety of management positions within operations, sales, and marketing.

JAMES L. JOHNSON joined the Company in 1991 as Manager of Financial Reporting. Since that time, Mr. Johnson was appointed to the following positions with us: (i) Assistant Controller in 1992; (ii) Director of Accounting in 1994; (iii) Corporate Secretary & Controller in 1996; (iv) Vice President, Controller & Corporate Secretary in 2000; and (v) Senior Vice President, Controller & Corporate Secretary in 2005. He was named to his current position as Executive Vice President, Chief Accounting Officer & Corporate Secretary in 2010. Mr. Johnson was employed by the independent public accounting firm of Arthur Andersen & Co. as a certified public accountant from 1985 until his employment with us in 1991.

CRAIG T. CALLAHAN joined the Company in 1995 as a management trainee and has held several leadership positions within Customer Service, Operations and Sales. In 2005, Mr. Callahan joined the Sales team and was promoted to Senior Director of National Accounts. In 2009, Mr. Callahan was named Vice President of Sales, assuming additional sales leadership responsibilities for business development and growth initiatives in Dedicated, Contract Logistics, Intermodal and Cross-Border Services. In 2015, Mr. Callahan was promoted to Senior Vice President of Sales, gaining additional responsibilities for Field and International Sales. In February 2018, Mr. Callahan was promoted to Executive Vice President and Chief Commercial Officer.

NATHAN J. MEISGEIER joined the Company in 2005 as Senior Counsel of Litigation. Since that time, Mr. Meisgeier has held the titles of Associate Vice President and Associate General Counsel before being promoted to Vice President and General Counsel in 2016. In February 2018, Mr. Meisgeier was promoted to Executive Vice President and Chief Legal Officer. Mr. Meisgeier practiced at the Kansas City law firm of Stinson, Mag and Fizzell for seven years before joining Werner in 2005.

## BENEFICIAL OWNERSHIP OF COMMON STOCK

### STOCK OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS AND CERTAIN BENEFICIAL OWNERS

The Beneficial Ownership table sets forth certain information as of March 19, 2018, with respect to the beneficial ownership of our common stock by: (i) each of our directors and director nominees; (ii) each of our Named Executive Officers; (iii) each person known to us to beneficially own more than 5% of the outstanding shares of our common stock; and (iv) all current executive officers, directors and director nominees as a group.

On March 19, 2018, we had 72,454,202 shares of common stock outstanding. Except as otherwise indicated in the Beneficial Ownership table, the persons listed have sole voting power and sole investment power with respect to such shares of our common stock indicated as beneficially owned by them. Unless otherwise noted, the physical business address of each beneficial owner set forth in the Beneficial Ownership table is: Werner Enterprises, Inc., 14507 Frontier Road, Omaha, Nebraska 68138.



## BENEFICIAL OWNERSHIP

| Amount and Nature<br>of Beneficial<br>Ownership           |                               |                 |  |   |
|---|-------------------------------|-----------------|--|---|
| Name<br>of Beneficial<br>Owner                            | Right<br>to<br>Acquire<br>(1) | Total<br>Shares | Percent of<br>Shares<br>Outstanding<br>(2) |   |
| Clarence<br>L. Werner <sup>(3)</sup>                      | —                             | 21,033,505      | 29.0                                       | % |
| Gregory<br>L. Werner <sup>(4)</sup>                       | —                             | 3,569,717       | 4.9  | % |
| Kenneth<br>M. Bird,<br>Ed.D.                              | 657                           | 5,767           | *  |   |
| Patrick<br>J. Jung<br>Dwaine<br>J. Peetz,<br>Jr.,<br>M.D. | 657                           | 6,667           | *  |   |
| Gerald<br>H. Timmerman                                    | 657                           | 10,997          | *  |   |
| Diane<br>K. Duren   | 657                           | 657             | *  |   |
| Michael<br>L. Gallagher                                   | —                             | —               | *  |   |
| Derek<br>J. Leathers                                      | —                             | 150,871         | *  |   |
| H.<br>Mart Nordlund                                       | —                             | 29,630          | *  |   |
| John<br>J. Steele   | —                             | 41,825          | *  |   |
| Jim<br>S. Schelble  | —                             | 36,656          | *  |   |
| James<br>L.   | —                             | 49,847          | *  |   |

|   |            |       |            |      |   |
|---|------------|-------|------------|------|---|
| Johnson<br>Dimensional<br>Fund<br>Advisors<br>LP <sup>(5)</sup>   | 5,379,363  | —     | 5,379,363  | 7.4  | % |
| BlackRock<br>Inc. <sup>(6)</sup>  | 5,222,363  | —     | 5,222,363  | 7.2  | % |
| The<br>Vanguard<br>Group <sup>(7)</sup>   | 3,692,327  | —     | 3,692,327  | 5.1  | % |
| All<br>current<br>executive<br>officers,<br>directors<br>and<br>director<br>nominees<br>as a<br>group<br>(14<br>persons) <sup>(2)</sup><br><sup>(3)</sup><br><sup>(4)</sup> | 24,972,289 | 3,285 | 24,975,574 | 34.5 | % |

\*Indicates beneficial ownership of less than 1%.

This column represents restricted stock that will vest within 60 days after March 19, 2018.

(1) The shares are not outstanding and may not be voted at the 2018 Annual Meeting.

The percentages are based upon 72,454,202 shares, which equal our outstanding shares as of March 19, 2018. In accordance with SEC rules, for individuals who hold restricted stock that will vest within 60 days of March 19, 2018, the number of shares of common stock on which the percentage is based also includes the number of such shares.

(2) Clarence L. Werner has sole voting power with respect to 21,030,368 shares; sole dispositive power for 6,029,118 of these shares; shared voting power for 3,137 shares; and shared dispositive power with respect to 15,004,387 shares.

(3) The shares shown for Gregory L. Werner include 250,000 shares held by the Clarence L. Werner Grandchildren's Trust for the benefit of the grandchildren of Clarence L. Werner, some of which are children of Gregory L. Werner. Gregory L. Werner has shared voting and dispositive power with respect to the shares in the trust. Gregory L. Werner disclaims actual

and beneficial ownership of the shares held by the trust. The beneficial ownership of all executive officers, directors and director nominees as a group also includes such 250,000 shares held by the Clarence L. Werner Grandchildren's Trust.

Based on Schedule 13G as of December 31, 2017, as filed with the SEC by Dimensional Fund Advisors LP. Dimensional Fund Advisors LP claims sole voting power of 5,266,009 shares and sole dispositive power of (5) 5,379,363 shares, and does not claim any shared voting power or shared dispositive power with respect to any of these shares.

According to the Schedule 13G filing, the address of this stockholder is Building One, 6300 Bee Cave Road, Austin, Texas 78746.

Based on Schedule 13G as of December 31, 2017, as filed with the SEC by BlackRock, Inc. BlackRock, Inc. claims sole voting power of 5,118,906 shares and sole dispositive power of 5,222,363 shares, and does not claim any (6) shared voting power or shared dispositive power with respect to any of these shares.

According to the Schedule 13G filing, the address of this stockholder is 55 East 52nd Street, New York, New York 10055.

Based on Schedule 13G as of December 31, 2017, as filed with the SEC by The Vanguard Group. The Vanguard Group claims sole voting power of 51,717 shares, shared voting power of 6,484 shares, sole dispositive power of (7) 3,637,833 shares, and shared dispositive power of 54,494 shares. According to the Schedule 13G filing, the address of this stockholder is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.



## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of our registered class of equity securities (common stock), to file with the SEC reports of beneficial ownership and changes in such beneficial ownership. Executive officers, directors and greater than 10% beneficial owners are required by SEC rules to furnish us copies of all Section 16(a) forms they file. We file Section 16(a) reports on behalf of our executive officers and directors to report their initial and subsequent changes in beneficial ownership of our common stock.

Based solely upon our review of (i) the reports (including any amendments thereto) we filed on behalf of our officers and directors, (ii) copies of such forms furnished to us and (iii) written representations from certain reporting persons that no other reports were required for those persons, we believe that all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with, in a timely manner, during 2017.

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

This section of the Proxy Statement identifies our Named Executive Officers and explains how our compensation policies and practices are developed and operate with respect to such Named Executive Officers. In the Compensation Discussion and Analysis, we also discuss and analyze our executive compensation program and the executive compensation amounts shown in such section. This discussion should be read in conjunction with the Summary Compensation Table (including the related tabular and narrative disclosures) and the Compensation Committee section under Corporate Governance in this Proxy Statement. As indicated in that section, the Compensation Committee of the Board of Directors is responsible for establishing our executive compensation policies and overseeing our executive compensation practices. Our Compensation Committee is also comprised solely of independent directors, each of whom is independent pursuant to SEC rules and NASDAQ listing standards.

Named Executive Officers. Our “Named Executive Officers” consist of the CEO, CFO and the three most highly compensated executive officers (other than the CEO and CFO) who were serving as executive officers as of December 31, 2017. Our five Named Executive Officers are identified in the table below.

#### 2017 NAMED EXECUTIVE OFFICERS

| Name              | Position with the Company  |
|-------------------|--|
| Derek J. Leathers | President & Chief Executive Officer  |
| H. Marty Nordlund | Senior Executive Vice President (“SEVP”) & Chief Operating Officer               |
| John J. Steele    | Executive Vice President (“EVP”), Treasurer & Chief Financial Officer            |
| Jim S. Schelble   | Executive Vice President (“EVP”) & Chief Administrative Officer                  |
| James L. Johnson  | Executive Vice President (“EVP”), Chief Accounting Officer & Corporate Secretary |

Executive Summary. The Company and its Compensation Committee believe our executive compensation program has been instrumental to our business and in helping us accomplish our objectives. We continually review the program to confirm it is appropriate and fair in view of our financial performance and size relative to our competitive peer group. Our total compensation mix allows us to retain qualified, innovative executive officers who possess the necessary experience and expertise to manage the Company, provide effective Company leadership, contribute to our long-standing success and create value for our stockholders. (The peer group is identified in the Competitive Peer Groups and Benchmarking section within the Compensation Discussion and Analysis. Our 2017 financial statements are included in our Annual Report on Form 10-K for 2017 filed with the SEC.)



The table below summarizes and compares our key 2017 and 2016 financial results.

2017 AND 2016 FINANCIAL  
RESULTS

|   | 2017 (1)    | 2016 (1)    | Change<br>(%) |
|---|-------------|-------------|---------------|
| Total revenues                            | \$2,116,737 | \$2,008,991 | 5 %           |
| Net income <sup>(2)</sup>                 | \$202,889   | \$79,129    | 156 %         |
| Earnings per diluted share <sup>(2)</sup> | \$2.80      | \$1.09      | 157 %         |
| Operating ratio <sup>(3)</sup>            | 93.2 %      | 93.7 %      |               |
| Return on assets <sup>(2)</sup>           | 11.5 %      | 4.7 %       |               |
| Return on equity <sup>(2)</sup>           | 19.5 %      | 8.2 %       |               |
| Total shareholder return                  | 41.6 %      | 16.3 %      |               |

(1) Dollar amounts in thousands, except for per share amounts. Includes the \$110.5 million, or \$1.52 per diluted share, non-cash reduction in income tax expense in 2017 resulting from the revaluation of net deferred income tax liabilities due to the Tax Act. Excluding this item,

(2) return on assets was 5.3%, and return on equity was 9.0% for 2017. Management believes the exclusion of the tax reform benefit provides a more useful comparison of the Company's performance from period to period.

Operating expenses expressed as (3) a percentage of operating revenues.

2017 was a year of meaningful and measurable progress for the Company. Revenues grew 5% and earnings per diluted share rose 17%, excluding the favorable impact of the non-cash reduction in deferred income tax expense of \$110.5 million, or \$1.52 per diluted share, in fourth quarter 2017 due to the Tax Cuts and Jobs Act of 2017 (the "Tax

Act”). The Company also added 335 trucks, or nearly 5% fleet growth. The freight and rate markets swung dramatically from unfavorable in 2016 to increasingly favorable in 2017. Total shareholder return (“TSR”) for the Company in 2017 was 44.6% and for our peer group was 25.2%. Please refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for 2017 filed with the SEC for more discussion of our 2017 financial results.

The total compensation, as shown in the Summary Compensation Table, of the Named Executive Officers in 2017 was \$6.3 million compared to \$4.9 million in 2016, or a \$1.4 million increase. The Named Executive Officers in 2016 earned none of the performance stock granted on February 16, 2016 as the actual diluted earnings per share of \$1.09 was below the threshold level for the performance stock grant. The grant date value of these performance shares at target, as required to be shown in the Summary Compensation Table for 2016 despite not being earned, was \$2.0 million for the Named Executive Officers. In 2016, the Compensation Committee engaged Frederic W. Cook & Co. (the “Consultant”) to assist the Compensation Committee in its evaluation of the compensation for our executives. The Consultant prepared a peer group review and a competitive analysis of the compensation of the Company’s executives and made recommendations for changes to the existing compensation program. As a result of their promotions in May 2016, the base salaries of Messrs. Leathers, Nordlund and Schelble were increased in December 2016 to reflect their additional responsibilities resulting from their promotions and to better align their base salaries with the peer group after considering the Consultant’s executive compensation benchmarking review. The base salaries for Mr. Steele and Mr. Johnson were increased in January 2017 to better align their base salaries with the peer group and their responsibilities. The Compensation Committee approved a new cash annual incentive program (“AIP”) for 2017 for the Named Executive Officers in conjunction with the analysis and recommendations of the Consultant. The 2017 AIP payout ranged from 110.7% to 115.7% of target for the Named Executive Officers based on actual performance versus the pre-defined goals. The 2017 AIP payouts were not affected by the \$110.5 million reduction in income tax expense resulting from the revaluation of net deferred income tax liabilities due to the Tax Act. See Cash Annual Incentive Compensation for more discussion of the 2017 AIP. In February 2017, the Compensation Committee also approved a revised long-term equity incentive program for the Named Executive Officers. The Compensation Committee awarded equity-based long-term incentives to the Named Executive Officers split equally between restricted stock and performance stock. The restricted stock vests evenly over a four-year period while the performance stock cliff vests at the end of three years. The number of performance shares earned will range from 0% to 200% of the target shares for each Named Executive Officer based on the level of attainment of the performance objectives (two-year cumulative earnings per diluted share with a three-year TSR modifier). The Compensation Committee has determined that the \$110.5 million reduction in income tax expense resulting from the revaluation of net deferred income tax liabilities due to the Tax Act will be excluded from the two-year cumulative earnings per diluted share for purposes of determining

the achievement level of the performance shares. See Long-Term Incentive Compensation for more discussion of the equity incentive awards.

**Consideration of Stockholder Say-on-Pay Vote.** At the Company's Annual Meeting held in May 2017, the Board asked Company stockholders to indicate on an advisory and non-binding basis whether they approve the Company's executive compensation (a "say-on-pay resolution") and how frequently they prefer the Company to conduct such votes in the future. These proposals were contained in the Company's 2017 proxy statement dated April 6, 2017, in accordance with Section 14A of the Exchange Act.

Voting results on our say-on-pay resolution overwhelmingly approved the compensation of our Named Executive Officers, with more than 99% of the stockholder votes cast in favor of our say-on-pay resolution. The Company and its Compensation Committee believe this affirms our stockholders' support of the Company's oversight of the executive compensation program and executive compensation program objectives. While such vote is advisory and non-binding, the Board and the Compensation Committee value our stockholders' opinions expressed in such vote and consider the voting outcome in making executive compensation decisions.

In addition, 86% of the stockholder votes cast on the frequency of future advisory votes to approve executive compensation were voted in favor of conducting such votes every year. The Board has determined that an advisory say-on-pay resolution will be included in the Company's proxy materials every year.

**2017 Executive Compensation Program and Objectives.** Our executive compensation program is designed to achieve the following primary objectives:

- Attract, motivate and retain talented high-quality executives who contribute to the advancement of our strategic, operational and financial goals and to our long-term success in today's competitive markets and industry.
- Reward our executive officers for their individual performance, leadership and contribution to the achievement of our overall business objectives.
- Support our Purpose Statement and guiding corporate principles. (Our Purpose Statement is included on our website.)

The Compensation Committee carries out our executive compensation objectives by applying the following principles:

- Provide compensation that is competitive with that paid by companies in our industry for executive talent. Our Compensation Committee has the authority to engage the services of an outside advisor and compensation consultant to assist with determining how our executive compensation program compares to those of other companies.
- Reward performance by considering factors such as (i) our financial performance, (ii) the executive officer's individual performance and contribution to our overall business goals and (iii) the performance of the executive officer's area of responsibility when evaluated in light of overall Company performance and the year's market, industry and economic conditions.
- Encourage our executive team to consider current and long-term opportunities and reasonable risks that result in positive Company performance and financial growth, industry innovation, consistent stockholder value and lasting collaborations with our customers and partners.
- Encourage executive officers to become stockholders and facilitate stock ownership in the Company by offering equity-based compensation. We believe that stock ownership links our executive officers' interests with those of our stockholders and supports strategic decision-making and actions that will serve our long-term interests. We have adopted executive stock ownership guidelines and a policy on hedging and pledging to further this principle.
- Provide limited executive perquisites.

**Elements of Executive Compensation.** The elements of our 2017 executive compensation program are: (i) base salary, (ii) cash annual incentive compensation, (iii) long-term incentive compensation, and (iv) perquisites and benefits. The following discussion explains these elements and their primary purposes with respect to our 2017 executive

compensation program.

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Base Salary. Base salary is a fixed element of compensation that we pay to each executive officer for the performance of his primary duties and responsibilities. Generally, each respective executive officer's base salary is commensurate with such person's responsibility, experience, tenure and job performance. Base salaries are reviewed on an annual basis and at the time of promotion or other change in job function and responsibilities. A number of factors are considered when determining individual salary levels. These factors include but are not limited to (i) the individual's overall performance and the level of responsibility and complexity of the executive's job; (ii) the performance of the business unit(s) or function(s) under his leadership; (iii) how the executive officer's salary compares to those of our other executives; (iv) our overall performance and achievements; (v) the economic and business conditions affecting the Company at the time of the review; and (vi) salaries paid by companies within our competitive peer group for the same or similar positions. Market adjustments to executive base salaries may be made when there is a significant change in an officer's position or responsibilities or if competitive market data indicates a significant deviation compared to market salary practices. However, while we may be guided by such events and data, we do not set compensation levels at targeted or specific levels relative to that of a particular peer, competitor or industry group.

At its regular year-end meeting in November 2016, the Compensation Committee approved base salary increases for the Named Executive Officers for 2017. As a result of their promotions in May 2016, the base salaries of Messrs. Leathers, Nordlund and Schelble were increased in December 2016 to \$700,000, \$375,000 and \$310,000, respectively, to reflect their additional responsibilities resulting from their promotions and to better align them with the peer group after considering the Consultant's executive compensation benchmarking review. The base salaries for Mr. Steele and Mr. Johnson were increased in January 2017 to \$265,000 and \$310,000, respectively, to better align their base salaries with the peer group and their responsibilities.

Cash Annual Incentive Compensation. During 2016, the Compensation Committee engaged the Consultant to review the competitiveness of the Company's executive compensation program and the effectiveness of the annual and long-term incentive programs in meeting the objective of attracting, retaining and motivating executive talent. Following this review, in February 2017, the Compensation Committee approved a new cash annual incentive program ("AIP") for fiscal 2017 for the Named Executive Officers in conjunction with the analysis and recommendations of the Consultant. The 2017 AIP establishes target cash award amounts as a percentage of base salary, which varies by executive position. The 2017 AIP considers three performance metrics, with the financial metrics tied to pre-defined goals (55% operating income, 25% revenues less fuel surcharge revenue (FSC) and 20% individual performance). Individual performance for the executive officers included predefined areas of improvement or strategic milestones under the executive's purview to be achieved during the year. In addition, a threshold earnings before interest, taxes, depreciation and amortization (EBITDA) goal of \$250 million for 2017 had to be achieved in order for the 2017 AIP to fund. The threshold EBITDA goal was met in 2017. The 2017 payout opportunities ranged from 0% to 200% of target depending on performance versus the goals. The table below shows the calculation of the AIP performance results.

#### ANNUAL INCENTIVE PLAN PERFORMANCE RESULTS

| AIP Metric             | Target (\$)(1) | Actual Results (\$)(1) | % Achieved  | Weighting (%) | 2017 AIP Payout (% Target) |
|------------------------|----------------|------------------------|-------------|---------------|----------------------------|
| Operating Income       | 138.7          | 143.8                  | 124.5%      | 55%           | 68.5%                      |
| Revenues less FSC      | 902.7          | 911.2                  | 108.9%      | 25%           | 27.2%                      |
| Individual Performance | Varies by NEO  |                        | 75% or 100% | 20%           | 15.0% or 20.0%             |
| Total                  |                |                        |             |               | 110.7% or 115.7%           |

(1) Dollar amounts in millions.

The Compensation Committee believes the 2017 AIP better aligns pay for performance and the interest of management with shareholders. The table below shows the calculation of the AIP payouts achieved for the Named Executive Officers for 2017, which are disclosed in the Summary Compensation Table. The 2017 AIP payouts were not affected by the \$110.5 million reduction in income tax expense resulting from the revaluation of net deferred income tax liabilities due to the Tax Act. The 2017 AIP payments



occurred in February 2018. Please refer to the Grants of Plan-Based Awards for 2017 section for additional information regarding the AIP.

#### CASH ANNUAL INCENTIVE COMPENSATION

| Name              | 2017<br>Base<br>Salary<br>(\$) | Target<br>Payout<br>(%<br>Salary) | Target<br>AIP<br>Payout<br>(\$) | AIP<br>Payout<br>(%<br>Target) | 2017<br>AIP<br>Payout<br>(\$) |
|-------------------|--------------------------------|-----------------------------------|---------------------------------|--------------------------------|-------------------------------|
| Derek J. Leathers | 700,000                        | 100.0%                            | 700,000                         | 115.7%                         | 809,900                       |
| H. Marty Nordlund | 375,000                        | 70.0%                             | 262,500                         | 110.7%                         | 290,588                       |
| John J. Steele    | 265,000                        | 60.0%                             | 159,000                         | 115.7%                         | 183,963                       |
| Jim S. Schelble   | 310,000                        | 60.0%                             | 186,000                         | 115.7%                         | 215,202                       |
| James L. Johnson  | 310,000                        | 60.0%                             | 186,000                         | 115.7%                         | 215,202                       |

**Long-Term Incentive Compensation.** Our long-term incentive program is important to us because it helps attract a talented executive team, encourages long-term retention of executive officers and enables us to recognize efforts put forth by executives who contribute to our stock price appreciation and Company development. The periodic vesting periods of long-term incentive compensation directly align executive officer interests and compensation with our stockholders' interests by rewarding creation and preservation of long-term stockholder value. The Compensation Committee also believes this element of compensation provides equity ownership opportunities for our executive officers.

In conjunction with the analysis and recommendations of the Consultant, the Compensation Committee approved a revised long-term incentive program for the Named Executive Officers in fiscal 2017. In February 2017, the Compensation Committee, in its sole discretion, awarded the Named Executive Officers restricted stock and performance stock for 2017. The restricted stock will vest in four annual increments of 25% each beginning February 8, 2018 (one year after the grant date), subject to continued employment. The performance stock is earned based upon the level of attainment by the Company of a cumulative earnings per diluted share performance objective for the two-year period from January 1, 2017 to December 31, 2018, as established by the Compensation Committee. The Compensation Committee works with management to develop rigorous performance objectives that are challenging to achieve and that would contribute to our overall financial goals and create stockholder value. The number of shares that may ultimately be earned will range from 0% to 200% of the target shares stated in each executive's award agreement based on the level of attainment of the performance objective and subject to a total shareholder return modifier whereby the maximum payout will be capped at 150% of target if absolute total shareholder return during the three-year period ending December 31, 2019 is less than 30%. The Compensation Committee has determined that the \$110.5 million reduction in income tax expense resulting from the revaluation of net deferred income tax liabilities due to the Tax Act will be excluded from the two-year cumulative earnings per diluted share for purposes of determining the achievement level of the performance shares. Any performance stock earned will vest, subject to continued employment, on February 8, 2020. The target grant date values of the stock awards to the Named Executive Officers are as follows: Mr. Leathers—\$1,300,000; Mr. Nordlund—\$500,000; and Messrs. Steele, Schelble and Johnson—\$250,000 each. The target value granted to each Named Executive Officer was split equally between restricted stock and performance stock. These grants of restricted stock and performance stock are disclosed in the Summary Compensation Table. Please refer to the Grants of Plan-Based Awards for 2017 section for additional information regarding the equity awards.

Under our Equity Plan, the Compensation Committee may grant stock options, SARs, restricted stock, restricted stock units (RSUs) and performance stock to our executive officers and non-employee directors. The grant date is the same date as the meeting at which the Compensation Committee decides to grant equity awards, after giving consideration to the timing of such decisions to ensure that awards occur when neither the recipient nor the Compensation Committee possess material nonpublic information. None of our restricted or performance stock awards give the

recipient any voting or dividend rights until such stock vests, nor do they have any post-vesting sales restrictions.

Perquisites and Benefits. Our executive compensation program includes limited executive perquisites that we believe are reasonable and consistent with our overall compensation objectives. Our Compensation

Committee periodically reviews the perquisites provided to executive officers. The perquisites offered under our 2017 executive compensation program were as follows:

**Country Club Membership.** In 2017, we paid country club membership fees and other business-related and reasonably incurred expenses for certain Named Executive Officers, and we received full reimbursement from those individuals for any personal expenses incurred. We provide these memberships for our benefit, notwithstanding the incidental personal benefit.

**Company Vehicle.** We provide Company vehicles to certain Named Executive Officers for business and personal use. We are responsible for paying the operating expenses of these vehicles, except for fuel.

**Medical Care Membership Program.** We provide each Named Executive Officer with membership in a medical care program, which provides for an annual physical examination and unlimited direct access to a primary care physician. We believe the program allows our Named Executive Officers to devote more time to our business and promotes the health and wellness of these key employees.

In 2017, we offered the following benefits to our executives: (i) health, dental and vision plans; (ii) other voluntary insurance plans, including life and disability; (iii) 401(k) retirement savings plan; (iv) employee stock purchase plan; and (v) nonqualified deferred compensation plan (see Nonqualified Deferred Compensation for 2017). These benefits are available to our Named Executive Officers on the same terms as provided to other eligible employees.

The aggregate incremental cost of perquisites and other benefits (and any related tax gross-ups) provided to the Named Executive Officers is shown in the “All Other Compensation” column of the Summary Compensation Table and detailed in the All Other Compensation for 2017 section of this Proxy Statement, as required by applicable SEC rules.

**Role of the Compensation Consultant.** In 2016 and 2017, the Compensation Committee engaged Frederic W. Cook & Co. as its compensation consultant, after not using a consultant in 2015. Frederic W. Cook & Co. is an independent executive compensation consulting firm selected by the Compensation Committee in 2016 after interviewing several consulting firms. The Compensation Committee has assessed the independence of the Consultant and determined that the Consultant’s work did not raise any conflicts of interest.

The Consultant assists the Committee in its evaluation of the compensation for our executives. As part of the 2017 engagement, the Compensation Committee specifically requested that the Consultant (i) review and recommend any changes to the competitive peer group selected in 2016, (ii) prepare an executive compensation benchmarking review to include a competitive analysis of the compensation of the Company’s executives in comparison to our peer group, and (iii) review the Company’s new compensation program and philosophy adopted in early 2017 and recommend changes based on the Company’s business objectives, compensation trends and best practices to incorporate an appropriate mix of short-term and long-term incentive components and align pay for performance.

The Consultant reports directly to the Compensation Committee, although it may work in cooperation with management only as required to carry out its obligations to the Compensation Committee. Without the Compensation Committee’s prior approval, the Consultant will not perform any services for us or our management. During 2017, the Company paid fees to the Consultant only for advising the Compensation Committee on the amount or form of executive and director compensation. The Company did not pay the Consultant any fees for additional projects or services.

**Competitive Peer Groups and Benchmarking.** Each year, our Compensation Committee reviews the general criteria and recommendations for the addition or removal of companies in our competitive peer group. In conjunction with the Compensation Committee engaging a new compensation consultant in 2016, the Committee constructed a new competitive peer group. The companies in the new peer group for 2016 were selected from direct trucking peers, the executive compensation peers used by the direct trucking peers, companies that name Werner Enterprises as an executive compensation peer, and executive compensation peers identified by Institutional Shareholder Services, a

proxy advisory firm. These companies were screened based on (i) revenues, (ii) total shareholder return and (iii) industry of operation. Upon applying these criteria, the Compensation Committee selected our peer group, which was comprised of 15 companies in the transportation and logistics services industry with whom we compete for executive talent. The only changes to the peer group for 2017 were (i) to remove Swift Transportation due to its merger with Knight Transportation

to create Knight-Swift Transportation and (ii) to add Schneider National, a transportation competitor that became a public company in April 2017. Our competitive peer group for 2017 is shown in the table below.

2017 COMPETITIVE PEER GROUP

|                       |                             |                           |
|-----------------------|-----------------------------|---------------------------|
| ArcBest               | Hub Group                   | Landstar System           |
| Echo Global Logistics | J.B. Hunt                   | Old Dominion Freight Line |
| Forward Air           | Kansas City Southern        | Saia                      |
| Genesee & Wyoming     | Kirby                       | Schneider National        |
| Heartland Express     | Knight-Swift Transportation | YRC Worldwide             |

The Compensation Committee reviews compensation practices and levels at peer companies during the executive compensation decision-making process so that the Compensation Committee can determine compensation levels in an informed manner and at levels the Compensation Committee believes are reasonably competitive. The Compensation Committee has not historically set compensation elements for each executive to meet specific benchmarks based on peer group data. Instead, we consider these comparisons as one factor in determining executive compensation levels. Generally, the Compensation Committee reviews total compensation levels annually and makes adjustments when job responsibilities, individual performance or market data warrants such modifications. Actual total compensation can vary from year to year based on Company and individual performance.

**Compensation Determination Process.** The Compensation Committee makes all annual compensation decisions for our Named Executive Officers.

When determining total compensation, we apply a consistent approach for all Named Executive Officers. The structure and levels of our executive compensation program are determined, in large part, by considering all elements of compensation, rather than only a few components in isolation. Our Compensation Committee evaluates each element individually and also takes into account the position and current total direct compensation of the individual being considered. The Compensation Committee's determination of compensation levels for our Named Executive Officers therefore differs depending upon these factors. Our Compensation Committee also exercises appropriate business judgment in how it applies these standard approaches to the facts and circumstances involving each respective Named Executive Officer.

The Compensation Committee determines each component of a Named Executive Officer's compensation based on its collective assessment of the officer's performance, the Company's overall financial performance and recommendations of our Executive Chairman and President & CEO. Our Compensation Committee may also request executive compensation guidance and advice from an independent outside consultant when deciding compensation for our Named Executive Officers. The Compensation Committee meets annually (near the end of the year) to review the compensation of our Named Executive Officers. The Compensation Committee also meets during the first quarter of each year to determine the level of attainment of prior year performance objectives as they relate to the cash annual incentive program and the grant of performance stock in prior years and to consider the cash annual incentive program and granting new equity or incentive compensation awards for the current year and setting performance objectives related to each.

**Risk Management Related to Compensation.** When reviewing and implementing the executive compensation program, the Company and our Compensation Committee formulate and adhere to certain practices that ensure consistent leadership and decision-making among our executive officers. The Compensation Committee assesses whether our program and practices are reasonably likely to have a material adverse effect on the Company and concluded they do not. The Compensation Committee does not believe our executive compensation program and practices are designed to promote or encourage unreasonable risk for the following reasons:

- Base salaries are fixed amounts determined on an annual basis and are established after considering a broad range of factors including competitive pay sources (rather than specific performance measures).

Annual cash incentive compensation represents a significant portion of our executive officers' total cash compensation and is awarded under our Annual Incentive Program. The program allows for the Compensation Committee to exercise some discretion through an individual performance metric, in addition to the financial performance metrics. Annual incentive targets are thoroughly vetted by

management and the Compensation Committee, and goals are set taking into consideration the probability of achievement. Payouts are capped at 200%, are formulaic based, and are subject to recoupment.

Long-term incentive compensation is important to further aligning our executive officers' interests with those of our stockholders, and it balances short- and long-term decision-making by our executives. Long-term incentive compensation is split between time-based restricted stock and performance stock. The time-based restricted stock vests over four years. Performance stock achievement levels are capped at 200%, with a total shareholder return modifier if achievement is over 150%, have a three-year cliff vesting, and are subject to recoupment.

The vesting and exercising of stock awards granted under our Equity Plan may be prohibited if an executive officer is terminated for cause or under other circumstances as provided in the Equity Plan.

Our executives have significant stock ownership in the Company, subject to stock ownership guidelines and a hedging and pledging policy. With respect to their stock ownership, our executive officers could lose significant value if our stock price was exposed to unreasonable risk.

When structuring overall compensation practices for our non-executive employees, we consider whether our practices incentivize unreasonable risk-taking behavior and could consequently impact our risk management and oversight. We also evaluate the mix of pay and the elements of our compensation programs as they apply to employees generally. Our non-executive employee compensation practices are reviewed in the context of current and significant risks to determine if the practices encourage or induce employees to take unreasonable risks, and we also take into account our other policies and procedures that operate to monitor and deter unreasonable risk (such as disciplinary or record-keeping policies). Management also notifies our Compensation Committee of significant and across-the-board modifications to employee compensation practices. We concluded that our non-executive employee compensation practices do not encourage risks that are reasonably likely to have a material adverse effect on us.

**Hedging and Pledging Policy.** The Board of Directors formally adopted a policy on hedging and pledging of the Company's common stock by directors and executive officers. The policy prohibits purchasing any financial instrument or entering into any transaction that is designed to hedge or offset any decrease in the market value of the Company's common stock, including puts, calls, prepaid variable forward contracts, equity swaps, collars, and other financial instruments that are designed to or have the effect of hedging or offsetting any decrease in the market value of the Company's common stock. The policy also provides that directors and executive officers shall not pledge, hypothecate, or otherwise encumber shares of the Company's common stock as collateral for indebtedness including, but not limited to, holding shares in a margin account or any other account that could cause the Company's common stock to be subject to a margin call or otherwise be available as collateral for a margin loan. Each director and executive officer will certify to compliance with this policy no less frequently than on an annual basis.

**Executive Stock Ownership.** The Compensation Committee adopted formal stock ownership guidelines for the Company's executive officers and Senior Vice Presidents at its meeting in February 2017. Stock ownership includes: (i) common stock owned (directly or indirectly), (ii) time-vested restricted stock, (iii) performance stock already earned and subject to continued time vesting and (iv) retirement/profit sharing plan shares. Ownership guidelines vary based on position and require the executive to own stock with a market value equal to or in excess of a specified multiple of the officer's base salary, as follows: Chief Executive Officer—6 times, Chief Operating Officer—3.5 times, Executive Vice President—2.5 times and Senior Vice President—1.5 times. As of March 19, 2018, all of the Named Executive Officers had met their ownership guidelines. Any officer not meeting the ownership guidelines will be required to retain 75% of after-tax shares earned from long-term incentives until the ownership guideline is achieved.

**Recoupment Policy.** The Compensation Committee in 2017 formally adopted a recoupment policy with regard to AIP payouts and performance-based restricted stock awards to the executive officers. AIP payouts and performance-based restricted stock awards paid within the twelve months following the year of a material accounting restatement may be recouped if the inaccurate financial information was used to determine the AIP or performance-based restricted stock

payouts. Determination to recoup any awards will be at the discretion of the Board of Directors of the Company and may apply to current or former Company executive officers. The Company has not had any accounting restatements since becoming a publicly-traded company in 1986.

Tax Deductibility of Executive Compensation; Accounting Considerations. Generally, executive compensation is accrued as expense over the requisite service period related to the particular compensation element (this period is typically equal to the performance period of the executive officer), and we realize a tax deduction upon the payment



of the compensation to the executive. For 2017, Section 162(m) of the Internal Revenue Code prevents us from taking a tax deduction, in any one taxable year, for non-performance-based compensation in excess of \$1 million paid to the CEO and the three next highest compensated executive officers (other than the CFO). We collectively refer to these executives as the “covered employees.” Certain compensation of the covered employees is specifically exempt from the deduction limit to the extent that such compensation does not exceed \$1 million during any fiscal year or is “performance-based” as defined in Section 162(m). The Compensation Committee carefully considers and monitors the effect of Section 162(m) on the elements of our executive compensation program and will structure executive compensation to preserve its tax deductibility under Section 162(m) while maintaining our ability to attract, motivate and retain high-quality executive officers. The Compensation Committee also believes there are circumstances where the interests of the Company and our stockholders are best served by maintaining flexibility in the manner compensation is provided. In those events, the Compensation Committee may, at its discretion, approve payments of nondeductible compensation if the Compensation Committee believes the circumstances warrant such payments.

Effective January 1, 2018, under the Tax Act, (i) the performance-based exception to Section 162(m) is eliminated and (ii) the definition of covered employee is expanded to include the CFO and certain former executive officers, resulting in pay in excess of \$1 million in 2018 or later generally not being deductible for the Company, subject to the transition rule for plans and agreements in place on November 2, 2017.

#### REPORT OF THE COMPENSATION COMMITTEE

The following report of the Compensation Committee shall not be deemed to be “soliciting material” or to otherwise be considered “filed” with the U.S. Securities and Exchange Commission, nor shall this report be subject to Regulation 14A (other than as indicated) or to the liabilities set forth in Section 18 of the Securities Exchange Act of 1934. This report shall not be deemed to be incorporated by reference into any prior or subsequent filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference or treats it as soliciting material.

In conjunction with the preparation of the Annual Report on Form 10-K for 2017 of Werner Enterprises, Inc. (the “Company”) and this Proxy Statement for the Annual Meeting of Stockholders to be held May 8, 2018, the Compensation Committee has reviewed and discussed with management the foregoing Compensation Discussion and Analysis section (required by Item 402(b) of Regulation S-K of the U.S. Securities and Exchange Commission) of this Proxy Statement.

Based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis section be included in this Proxy Statement and incorporated by reference into the Company’s Annual Report on Form 10-K for 2017.

Patrick J. Jung, Chair

Kenneth M. Bird, Ed.D.

Dwaine J. Peetz, Jr., M.D.

Diane K. Duren

#### EMPLOYMENT ARRANGEMENTS

Each of our Named Executive Officers has been an employee of the Company for at least ten years. None of our Named Executive Officers has any type of written employment agreement with us.

## ARRANGEMENTS AND POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Termination. None of our Named Executive Officers who were serving as executive officers at the end of 2017 has a severance agreement or severance benefit arrangement with us.

Change in Control. None of our Named Executive Officers has a change in control agreement with us, and we do not currently provide for incremental compensation or special treatment for incentive compensation related to a change in control except under the stockholder-approved Equity Plan, as described below.

Potential Benefits Payable Under the Equity Plan. Our Equity Plan permits the vesting of outstanding equity awards upon certain termination or resignation actions following a change in control. The Equity Plan provides that if a Named Executive Officer is terminated other than for “cause” or voluntarily resigns for “good reason” within the period beginning upon a change in control and ending on the second anniversary of the change in control, then (i) all outstanding stock options and SARs will become fully exercisable and (ii) all conditions, performance objectives and restrictions (other than those imposed by law) on outstanding restricted stock, RSUs and performance stock will be deemed satisfied as of the executive officer’s employment termination date. “Cause,” “good reason” and “change in control” are defined in the current stockholder-approved version of the Equity Plan. Our Equity Plan also provides that upon death of a participant, (i) all service period restrictions applicable to restricted stock and RSUs will lapse and such shares shall become fully vested and (ii) for any unearned performance shares, the performance objectives will be evaluated for actual performance to date and the resulting shares shall become fully vested.

The following Potential Benefits Payable Under the Equity Plan table shows the potential benefits payable to each Named Executive Officer due to the occurrence of either the termination or resignation event described in the Equity Plan. The amounts of the potential benefits represent the estimated value of all unvested equity awards that would fully vest upon either event, assuming (i) such event occurred on December 31, 2017 (the last day of our fiscal year), (ii) the 2017 performance stock was deemed to have been earned at the target level (in the event of either a termination or resignation following a change in control) or unearned (in the event of death), and (iii) a stock price of \$38.65 per share, which was the NASDAQ closing market price of our common stock on the same date.

## POTENTIAL BENEFITS PAYABLE UNDER THE EQUITY PLAN

| Name              | Number of Unvested Shares Vesting     | Potential Benefit (\$)(1)(2) |
|-------------------|---------------------------------------|------------------------------|
| Derek J. Leathers | 97,731 (Restricted/Performance Stock) | 3,777,303                    |
| H. Mark Nordlund  | 28,451 (Restricted/Performance Stock) | 1,099,631                    |
| John J. Steele    | 19,175 (Restricted/Performance Stock) | 741,114                      |
| Jim S. Schelble   | 19,175 (Restricted/Performance Stock) | 741,114                      |
| James L. Johnson  | 19,175 (Restricted/Performance Stock) | 741,114                      |

The potential benefit was calculated using the \$38.65 closing market price on December 31, 2017. The potential benefit at December 31, 2017 includes \$986,155 for Mr. Leathers, (1) \$240,132 for Mr. Nordlund, and \$195,414 each for Messrs. Steele, Schelble and Johnson, for restricted and performance stock which became vested in February 2018.

In the event of a death, the potential benefit listed above would exclude \$934,132 for Mr. Leathers, \$359,290 for Mr. Nordlund, and (2) \$179,645 each for Messrs. Steele, Schelble and Johnson, for the 2017 performance stock for which the threshold level of performance had not yet been achieved as of December 31, 2017.

## SUMMARY COMPENSATION TABLE

The following table presents information about compensation earned during 2017, 2016 and 2015 by our Named Executive Officers. You should read the Summary Compensation Table in conjunction with the Compensation Discussion and Analysis section and the tables and narrative descriptions that follow. Columns required by SEC regulations are omitted where such column is inapplicable for all of the Named Executive Officers.

## SUMMARY COMPENSATION TABLE

| Name and Year Principal Position                  | Salary (\$)  | Bonus (\$)(1) | Stock Awards (\$)(2)(3) | Non-Equity Incentive Plan Compensation (\$)(4) | All Other Compensation (\$)(5) | Total (\$) |
|---|--------------|---------------|-------------------------|--|--------------------------------|------------|
| Der   | 2017 700,000 | —             | 1,300,000               | 809,900  | 40,330                         | 2,850,230  |
| J. Leathers                                       | 2016 525,964 | 550,000       | 1,099,182               | —  | 40,963                         | 2,216,109  |
| —   |              |               |                         |  |                                |            |
| President & Chief Executive Officer               |              |               |                         |  |                                |            |
| H.  | 2017 375,000 | —             | 500,000                 | 290,588  | 39,718                         | 1,205,306  |
| Mar Nordlund                                      | 2016 307,264 | 200,000       | 235,539                 | —  | 32,803                         | 775,606    |
| —   |              |               |                         |  |                                |            |
| SEVP & Chief Operating Officer <sup>(6)</sup>     |              |               |                         |  |                                |            |
| John J. Steele                                    | 2017 264,286 | —             | 250,000                 | 183,963  | 8,282                          | 706,531    |
| J. Steele   | 2016 245,120 | 115,000       | 235,539                 | —  | 8,229                          | 603,888    |
| —   |              |               |                         |  |                                |            |
| EVP, Treasurer & Chief Financial Officer          |              |               |                         |  |                                |            |
| Jim S. Schelble                                   | 2015 235,000 | 115,000       | 273,488                 | —  | 19,266                         | 642,754    |
| —   |              |               |                         |  |                                |            |
| EVP & Chief Administrative Officer <sup>(6)</sup> |              |               |                         |  |                                |            |
| Jim S. Schelble                                   | 2017 310,000 | —             | 250,000                 | 215,202  | 30,877                         | 806,079    |
| S. Schelble                                       | 2016 245,148 | 140,000       | 235,539                 | —  | 29,659                         | 650,346    |
| —   |              |               |                         |  |                                |            |
| EVP & Chief Administrative Officer <sup>(6)</sup> |              |               |                         |  |                                |            |
| —   | 2017 308,133 | —             | 250,000                 | 215,202  | 9,985                          | 783,320    |

|          |         |         |         |   |        |         |
|----------|---------|---------|---------|---|--------|---------|
| Jan 2016 | 258,360 | 125,000 | 235,539 | — | 12,478 | 631,377 |
|----------|---------|---------|---------|---|--------|---------|

L.  
Johnson  
—  
EVP,  
Chief  
Accounting  
Officer  
&  
Corporate  
Secretary<sup>(6)</sup>

- Annual cash bonus awards were made under the annual cash bonus program. Bonuses reported in this column were awarded by the Compensation Committee on November 28, 2016 and November 30, 2015. In 2017, the Compensation Committee adopted a new annual incentive program described below in note (4), and such awards are reported in the “Non-Equity Incentive Plan Compensation” column. The stock awards reported in this column and the associated valuation assumptions are also disclosed in the Grants of Plan-Based Awards for 2017 table. The stock awarded in 2017 includes both restricted stock and performance stock. Reported amounts for restricted stock represent the grant date fair value and for performance stock represent the grant date fair value based on the probable outcome of the performance conditions (target level). The target value of the 2017 performance awards was as follows: Mr. Leathers \$650,000, Mr. Nordlund \$250,000, Mr. Steele \$125,000, Mr. Schelble \$125,000, and Mr. Johnson \$125,000. If the highest level of performance is achieved, the value of the 2017 awards would be as follows: Mr. Leathers \$1,300,000, Mr. Nordlund \$500,000, Mr. Steele \$250,000, Mr. Schelble \$250,000, and Mr. Johnson \$250,000.
- (3) The Named Executive Officers earned none of the 2016 stock awards because performance objectives were not met. In 2017, the Compensation Committee adopted a new performance-based annual incentive program (“AIP”) for fiscal year 2017.
- (4) Cash awards reported in this column represent the actual amounts earned for fiscal year 2017 based upon achievement of pre-defined performance metrics, and were paid in February 2018. Such awards are also disclosed in the Grants of Plan-Based Awards for 2017 table. Refer to the All Other Compensation for 2017 table for a more detailed explanation of the compensation reported in this column.
- (6) Messrs. Nordlund, Schelble and Johnson were not Named Executive Officers in 2015.

## ALL OTHER COMPENSATION FOR 2017

The table below shows the components of “all other compensation” provided in 2017 to the Named Executive Officers, as reported in the preceding Summary Compensation Table.

## ALL OTHER COMPENSATION FOR 2017

| Named Executive Officer | Perquisites & Other Personal Benefits (\$)(1) | Tax Reimbursements (\$) | Company Contributions to 401(k) Plan (\$) | Company Contributions to Employee Stock Purchase Plan (\$) | Total (\$) |
|-------------------------|---|-------------------------|---|--|------------|
| Derek J. Leathers       | 20,441  | 13,421                  | 3,233                                     | 3,235  | 40,330     |
| Mark H. Nordlund        | 2,439   | 9,994                   | 4,050                                     | 3,235  | 39,718     |
| John J. Steele          | 2,700   | —                       | 3,154                                     | 2,428  | 8,282      |
| Jim S. Schelble         | 18,073  | 5,720                   | 3,849                                     | 3,235  | 30,877     |
| James L. Johnson        | 2,700   | —                       | 4,050                                     | 3,235  | 9,985      |

Perquisites and personal benefits for Messrs. Leathers, Nordlund and Schelble include use of one Company vehicle, Company-paid country club membership and personal medical (1) care membership program; and for Messrs. Steele and Johnson include personal medical care membership program.

Our contributions on behalf of the Named Executive Officers to the 401(k) plan and employee stock purchase plan are made on the same terms as provided to all of our eligible employees in the United States. In addition to the above-mentioned compensation, the Named Executive Officers may also participate in voluntary health and welfare benefit programs that are available for all eligible U.S. employees.

## GRANTS OF PLAN-BASED AWARDS FOR 2017

Equity and non-equity incentive plan awards granted to Named Executive Officers during 2017 included the following:

Non-equity incentive plan: cash annual incentive compensation awarded under the new performance-based AIP, with performance metrics for operating income, revenues and individual performance for fiscal 2017. The actual AIP payouts earned for 2017 are disclosed in the Summary Compensation Table and were paid in February 2018.

Equity incentive plan: awards of performance stock under our Equity Plan, with an earnings per diluted share performance metric for the two-year period from January 1, 2017 to December 31, 2018. No shares are earned for performance below the threshold level.

Stock awards: restricted stock awards subject to time-based vesting.

The following table sets forth information regarding equity and non-equity incentive plan awards granted to Named Executive Officers during 2017. Columns required by the SEC regulations are omitted where such column is not applicable for all of the Named Executive Officers. The awards reported in the following table are also disclosed in the Summary Compensation Table and Outstanding Equity Awards at December 31, 2017 tables and therefore do not constitute additional compensation not otherwise reported in this Proxy Statement.

## GRANTS OF PLAN-BASED AWARDS FOR 2017

| Name     | Grant Date | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards |             | Estimated Future Payouts Under Equity Incentive Plan Awards |               |            | All Other Stock Awards: Number of Shares of Stock (#) | Grant Date Fair Value of Stock and Option Awards (\$) (1) |
|----------|------------|---|-------------|---|---------------|------------|---|---|
|          |            | Threshold (\$)  | Target (\$) | Maximum (\$)  | Threshold (#) | Target (#) |   |   |
| Derek J. | 2/8/17     | 175,000   | 700,000     | 1,400,000   | 12,085        | 24,169     | 48,338  | 650,000   |
| Leah H.  | 2/8/17     | 65,625  | 262,500     | 525,000   | 4,648         | 9,296      | 18,592  | 250,000   |
| Mary Jo  | 2/8/17     |   |             |   |               |            |   | 9,255   |
| John     | 2/8/17     | 39,750  | 159,000     | 318,000   | 2,324         | 4,648      | 9,296   | 125,000   |
| Steve    | 2/8/17     |   |             |   |               |            |   | 4,627   |
| Jim S.   | 2/8/17     | 46,500  | 186,000     | 372,000   | 2,324         | 4,648      | 9,296   | 125,000   |
| Schultz  | 2/8/17     |   |             |   |               |            |   | 4,627   |
| James L. | 2/8/17     | 46,500  | 186,000     | 372,000   | 2,324         | 4,648      | 9,296   | 125,000   |
| John     | 2/8/17     |   |             |   |               |            |   | 4,627   |

(1) The grant date fair value per share of the performance stock (\$26.8936) and the restricted stock (\$27.0130) is based upon the market price of the underlying common stock on the grant date, reduced by the present value of estimated future dividends because the awards are not entitled to receive dividends prior to vesting. The present value of estimated future dividends was calculated based on a \$0.06 quarterly dividend amount per share and a risk-free interest rate of 1.2% for performance stock and 1.4% for restricted stock. Further discussion of the valuation and assumptions regarding our stock awards is provided in Note 5 of our Consolidated Financial Statements in our Annual Report on Form 10-K for 2017.





## OUTSTANDING EQUITY AWARDS AT 2017 YEAR-END

The table that follows presents information regarding all outstanding equity awards held by each of the Named Executive Officers as of December 31, 2017. There were no outstanding stock options held by the Named Executive Officers. Restricted stock and performance stock awards are contingent upon the recipient's continued employment with the Company through each vesting date. Awards reported in these tables with grant dates before 2015 are not disclosed in the Summary Compensation Table and therefore constitute additional compensation not otherwise reported in this Proxy Statement.

## OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2017

| Name              | Grant Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$)(1) | Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)(1) |
|-------------------|------------|---|---|--|---|
| Derek J. Leathers | 2/10/14    | 18,000 <sup>(2)</sup>                                       | 695,700   |  |   |
|                   | 2/10/15    | 31,500 <sup>(3)</sup>                                       | 1,217,475   |  |   |
|                   | 2/8/17     | 24,062 <sup>(4)</sup>                                       | 929,996   |  |   |
|                   | 2/8/17     |   |   | 12,085 <sup>(5)</sup>  | 467,085   |
| H. Marty Nordlund | 2/10/14    | 3,600 <sup>(2)</sup>  | 139,140   |  |   |
|                   | 2/10/15    | 6,300 <sup>(3)</sup>  | 243,495   |  |   |
|                   | 2/8/17     | 9,255 <sup>(4)</sup>  | 357,706   |  |   |
|                   | 2/8/17     |   |   | 4,648 <sup>(5)</sup>   | 179,645   |
| John J. Steele    | 2/10/14    | 3,600 <sup>(2)</sup>  | 139,140   |  |   |
|                   | 2/10/15    | 6,300 <sup>(3)</sup>  | 243,495   |  |   |
|                   | 2/8/17     | 4,627 <sup>(4)</sup>  | 178,834   |  |   |
|                   | 2/8/17     |   |   | 2,324 <sup>(5)</sup>   | 89,823  |
| Jim S. Schelble   | 2/10/14    | 3,600 <sup>(2)</sup>  | 139,140   |  |   |
|                   | 2/10/15    | 6,300 <sup>(3)</sup>  | 243,495   |  |   |
|                   | 2/8/17     | 4,627 <sup>(4)</sup>  | 178,834   |  |   |
|                   | 2/8/17     |   |   | 2,324 <sup>(5)</sup>   | 89,823  |
| James L. Johnson  | 2/10/14    | 3,600 <sup>(2)</sup>  | 139,140   |  |   |
|                   | 2/10/15    | 6,300 <sup>(3)</sup>  | 243,495   |  |   |
|                   | 2/8/17     | 4,627 <sup>(4)</sup>  | 178,834   |  |   |
|                   | 2/8/17     |   |   | 2,324 <sup>(5)</sup>   | 89,823  |

(1) Market value is calculated by multiplying the number of shares of stock that have not vested by the closing

market price of our common stock (\$38.65 per share) on December 31, 2017 (the last trading day of our fiscal year).

(2) Performance stock was earned based upon level of attainment of 2014 performance conditions and is subject to a service-based vesting schedule after attainment. One-half of the remaining performance stock vested on February 10, 2018, and the remaining shares vest in one installment on February 10, 2019.

(3) Performance stock was earned based upon level of attainment of 2015 performance conditions and is subject to a service-based vesting schedule after attainment. One-third of the remaining performance stock vested on February 10, 2018, and the remaining shares vest in two equal installments on February 10, 2019 and 2020.

(4) One-fourth of the restricted stock vested on February 8, 2018, and the remaining shares vest in three equal installments on February 8, 2019, 2020 and 2021.

(5) The number of shares and market value for Performance Stock granted February 8, 2017 is reported at the threshold level of performance (pursuant to SEC rules) because the Company has not yet achieved the threshold level of performance for the two-year performance period from January 1, 2017 to December 31, 2018. Any shares ultimately earned will vest in one installment on February 8, 2020.

## OPTION EXERCISES AND STOCK VESTED FOR 2017

The following table provides information regarding (i) stock options that were exercised by our Named Executive Officers and (ii) shares of restricted and performance stock that vested during 2017. The value realized on exercise of stock options and the value realized on vesting of stock awards reflect the total pre-tax value realized by the Named Executive Officers. The number of shares and value realized on exercise of stock options includes shares sold to pay the exercise price and applicable withholding taxes. The number of shares and value realized on vesting of stock awards includes shares that were withheld at the time of vesting to satisfy tax withholding requirements.

## STOCK OPTION EXERCISES AND STOCK VESTED FOR 2017

| Name              | Option Awards                             |                                 | Stock Awards                             |                                |
|-------------------|---|---------------------------------|--|--------------------------------|
|                   | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| Derek J. Leathers | 25,000                                    | 320,797                         | 33,500                                   | 1,018,875                      |
| H. Marty Nordlund | 25,000                                    | 270,510                         | 5,700                                    | 176,955                        |
| John J. Steele    | —   | —                               | 6,500                                    | 207,735                        |
| Jim S. Schelble   | 15,000                                    | 189,849                         | 7,500                                    | 245,935                        |
| James L. Johnson  | 15,000                                    | 187,988                         | 7,500                                    | 245,935                        |

## NONQUALIFIED DEFERRED COMPENSATION FOR 2017

We established a nonqualified deferred compensation plan in 2005 for eligible key employees whose 401(k) plan contributions were limited by IRS regulations affecting highly compensated employees. This plan is subject to the requirements of Section 409A of the Internal Revenue Code and is administered in good faith compliance with Section 409A.

**Deferrals.** Under the nonqualified deferred compensation plan, eligible employees are permitted to defer a portion of their base salary and annual cash bonus on a pre-tax basis within maximum dollar limitations we establish each year that correspond to participants' job titles (such as Senior Vice President or Vice President). The maximum deferral limit for each of the Named Executive Officers was \$54,000 for the 2017 plan year and is \$54,000 for the 2018 plan year.

**Company Contributions.** The nonqualified deferred compensation plan also permits us to make matching contributions to participant accounts. We did not make any such matches in 2017 and have not done so since adopting the plan.

**Earnings.** Each participant in the nonqualified deferred compensation plan selects one or more investment funds available under the plan in which their contributed amounts are deemed to be invested. Deferred compensation accounts will then accrue earnings or losses based on the return of the selected investment funds. We do not pay preferential earnings or guarantee above-market earnings on any investments made under the plan.

**Distributions and "In Service" Withdrawals.** A participant elects under his salary deferral agreement whether the resulting deferred compensation will be distributed to him in annual installments or a lump sum payment upon separation. Distributions are made after the participant's retirement or termination from the Company and will

generally not begin until 12 months after the separation date. Under certain circumstances, participants may also elect to receive scheduled or hardship “in service” withdrawals while still employed with us. None of our Named Executive Officers received distributions or “in service” withdrawals during 2017.

## NONQUALIFIED DEFERRED COMPENSATION FOR 2017

| Executive Name    | Executive Contributions in 2017 (\$)(1) | Company Contributions in 2017 (\$)(2) | Aggregate Earnings (Losses) in 2017 (\$)(3) | Aggregate Withdrawals/ Distributions (\$) | Aggregate Balance at End of 2017 (\$)(4) |
|-------------------|---|---------------------------------------|---|---|--|
| Derek J. Leathers | 53,976                                  | —                                     | 128,911                                     | —   | 790,930                                  |
| Mark Nordlund     | 30,800                                  | —                                     | 91,921                                      | —   | 594,042                                  |
| John Steele       | 54,002                                  | —                                     | 106,023                                     | —   | 833,410                                  |
| Jim Schelble      | 54,002                                  | —                                     | 86,748                                      | —   | 721,132                                  |
| James L. Johnson  | 26,000                                  | —                                     | 54,860                                      | —   | 346,676                                  |

The amounts disclosed in this column are reported as compensation (1) and included within the amounts in the “Salary” and “Bonus” columns of the Summary Compensation Table.

(2) The Company does not make matching contributions.

We do not provide above-market or preferential earnings on nonqualified deferred compensation plan balances; therefore, we (3) did not report any portion of these amounts in the Summary Compensation Table pursuant to SEC rules.

Of these balances, the following executive contributions were reported in the “Salary” and “Bonus” columns of the Summary (4) Compensation Table in our proxy statements for 2015 and 2016:

Mr. Leathers, \$107,952; Mr. Nordlund, \$45,800; Mr. Steele, \$108,004; Mr. Schelble, \$54,002; and Mr. Johnson, \$10,020.

## CEO PAY RATIO

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), the Securities and Exchange Commission adopted a rule requiring disclosure of the ratio of the median employee’s annual total compensation to the total annual compensation of our CEO. We are required to comply with this new rule for each fiscal year beginning on or after January 1, 2017. Accordingly, we are providing the following information about the relationship of the annual total compensation of our median employee and the annual total compensation of our CEO.

For 2017, our last completed fiscal year, the annual total compensation of the median employee of our company (other than our CEO), was \$44,409; and the annual total compensation of our CEO was \$2,850,230. Based on this information, for 2017, the ratio of the annual total compensation of our CEO to the median employee’s annual total compensation was 64 to 1. We believe the ratio provided here is a reasonable estimate calculated in a manner

consistent with the requirements of Item 402(u) of Regulation S-K.

We relied on the definition of employee provided by the applicable rule, and we excluded employees residing in Mexico, China and Canada from our calculation under the de minimis exemption. As of our December 31, 2017 determination date, the total number of U.S. and non-U.S. employees was 12,055, which was used in calculating our de minimis exemption. The number of non-U.S. employees, by jurisdiction, excluded under the de minimis exemption were: (i) Mexico 89, (ii) China 41, and (iii) Canada 20.

To identify the “median employee” from this employee population, we conducted a full analysis of our U.S. employee population as of our December 31, 2017 determination date. To determine our median employee, we used a definition that was not total compensation and instead chose to use total Medicare wages and tips as reported on the employees’ IRS Form W-2 for 2017. These amounts were then annualized to account for permanent employees that were employed for less than the full fiscal year. After identifying the median employee, we then calculated the annual total compensation of such employee for 2017 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K.

## PROPOSAL 2 — ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION

Section 14A of the Exchange Act requires us to seek non-binding, advisory stockholder approval, commonly referred to as a “say-on-pay” resolution, of our Named Executive Officers’ compensation for 2017 as disclosed in the Executive Compensation section of this Proxy Statement. This advisory vote is not intended to address any specific item of compensation but rather the overall compensation of our Named Executive Officers and the principles, policies and

practices described in this Proxy Statement. Accordingly, we are asking stockholders to vote on the following advisory resolution at the 2018 Annual Meeting:

RESOLVED, that the compensation paid to the Company's Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion, is hereby APPROVED.

Through our executive compensation program, we strive to attract, motivate and retain a talented, entrepreneurial executive team that provides leadership and contributes to the achievement of our overall business and financial goals and long-term success, while remaining true to our mission, values and guiding corporate principles. We seek to accomplish these objectives in a manner that rewards performance and aligns with our stockholders' long-term interests.

You should read the Compensation Discussion and Analysis section beginning on page 18 of this Proxy Statement, which describes our executive compensation program, how our executive compensation process functions and how the program and its procedures are designed to accomplish our compensation objectives. We also urge you to review the executive compensation tables and narratives appearing on pages 28 through 33, which provide more detailed information on our Named Executive Officers' compensation.

Our Board and Compensation Committee believe our executive compensation program, articulated in the Compensation Discussion and Analysis, achieves our compensation objectives, rewards performance and links our Named Executive Officers' interests with the long-term interests of our stockholders. The Company believes our executive compensation program has been instrumental to our business and in helping us accomplish our objectives.

At the Company's annual meeting held on May 9, 2017, the stockholders overwhelmingly approved the compensation of our named executive officers, with more than 99% of the stockholder votes cast in favor of our say-on-pay resolution. The Company and its Compensation Committee believe this affirms our stockholders' support of the Company's approach to executive compensation and executive compensation program objectives. We historically have held our say-on-pay vote every three years. At the Company's annual meeting held on May 9, 2017, the stockholders voted on an advisory basis to conduct future advisory votes on executive compensation every year, as recommended by our Board of Directors. The Board has determined that an advisory say-on-pay resolution will be included in the Company's proxy materials every year commencing in 2018 until the next frequency vote, which will be held in 2023. The frequency vote is an opportunity for stockholders to cast an advisory vote on the frequency of future say on pay votes, such as this Proposal 2.

This advisory resolution is non-binding on the Company, Board of Directors and Compensation Committee. The Board and Compensation Committee, when appropriate, will review and consider the voting results as one factor when making future decisions and determinations regarding executive compensation and our executive compensation program.

#### RECOMMENDATION OF THE BOARD OF DIRECTORS — PROPOSAL 2

The Board of Directors unanimously recommends that stockholders vote FOR the approval of the advisory resolution on executive compensation. The Designated Proxy Holders of proxies solicited by the Board in this Proxy Statement will vote the proxies as directed on each proxy, or if no instruction is made, for the approval of the advisory resolution on executive compensation.

#### PROPOSAL 3 — RATIFICATION OF APPOINTMENT OF

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FEES OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The firm of KPMG LLP (“KPMG”) is our independent registered public accounting firm. The table that follows sets forth the aggregate fees billed to us by KPMG for professional audit services rendered in connection with the audit of our annual financial statements and internal control over financial reporting for 2017 and 2016. KPMG did not provide any other services to us during those periods.



INDEPENDENT REGISTERED  
PUBLIC  
ACCOUNTING FIRM FEES FOR  
2017 AND 2016

|                    | 2017 (\$) | 2016 (\$) |
|--------------------|-----------|-----------|
| Audit Fees         | 648,295   | 550,000   |
| Audit-Related Fees | —         | —         |
| Tax Fees           | —         | —         |
| All Other Fees     | —         | —         |
| Total              | 648,295   | 550,000   |

**Audit Fees.** Audit fees consist of fees for (i) the audit of our annual financial statements included in our Annual Reports on Form 10-K for 2017 and 2016, (ii) review of our financial statements included in our Quarterly Reports on Form 10-Q during such periods and (iii) the audit of our internal control over financial reporting during such periods.

**Audit-Related Fees.** Audit-related fees consist of fees (i) for assurance and related services that are reasonably related to the performance of the audit or the review of our financial statements and are not reported under Audit Fees and (ii) fees related to audit and attest services not required by laws or regulations and consultations concerning financial accounting and reporting standards.

**Tax Fees.** Tax fees are defined as fees for professional services for tax compliance, tax advice and tax planning. These services may include assistance regarding federal, state and international tax compliance, tax return preparation, tax audits and customs and duties.

The Audit Committee has reviewed KPMG's provision of services and believes that these services are compatible with maintaining the independence of KPMG. KPMG did not provide any non-audit services for us in 2017.

The Audit Committee has approved KPMG as our independent registered public accounting firm for 2018. Representatives of KPMG will be present at the 2018 Annual Meeting and will have an opportunity, should they so desire, to make a statement. The KPMG representatives will also be available to respond to appropriate questions from stockholders.

AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES PERFORMED  
BY THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has a policy for pre-approving all audit and non-audit services provided by independent registered public accounting firms. Prior to the engagement of an independent registered public accountant for the next year's audit, our management will submit to the Audit Committee for approval an itemized list of all audit and non-audit services expected to be rendered during such year and the budgeted fees for such services. The Audit Committee then pre-approves these services according to the categories of service in the Independent Registered Public Accounting Firm Fees for 2017 and 2016 table. When determining whether a service should receive pre-approval, the Audit Committee considers whether such services are consistent with the SEC rules regarding auditor independence. In the event circumstances arise and it becomes necessary to engage the independent registered public accountants for additional services not contemplated in the original pre-approval, the Audit Committee will approve such additional services prior to the commencement of the engagement and provision of such services.

Pursuant to its charter, the Audit Committee may delegate to its Chair the pre-approval authority to address any requests for pre-approval of services between Audit Committee meetings, and such Chair must report any such pre-approval decisions to the committee at its next meeting. Our management and independent registered public

accounting firm periodically report to the full Audit Committee (i) the extent of services provided by such accounting firm in accordance with this pre-approval and (ii) the fees for services performed to date.

We did not pay any fees categorized as Audit-Related Fees, Tax Fees or All Other Fees to KPMG during 2017 and 2016. Accordingly, the Audit Committee did not approve any fees during these periods that related to the waiver of pre-approval provisions or the de minimis exception set forth in applicable SEC rules.

## REPORT OF THE AUDIT COMMITTEE

The following report of the Audit Committee shall not be deemed to be “soliciting material” or to otherwise be considered “filed” with the U.S. Securities and Exchange Commission, nor shall this report be subject to Regulation 14A (other than as indicated) or to the liabilities set forth in Section 18 of the Securities Exchange Act of 1934. This report shall not be deemed to be incorporated by reference into any prior or subsequent filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference or treats it as soliciting material.

The Audit Committee of the Board of Directors is comprised of Dr. Bird, Ms. Duren, and Messrs. Gallagher, Jung and Timmerman. Mr. Jung is the Chair of the Audit Committee. All of the Audit Committee members are qualified independent directors under the audit committee structure and membership requirements of the NASDAQ and SEC rules and regulations. The primary purpose of the Audit Committee is to assist the Board of Directors in its general oversight of the financial reporting process of Werner Enterprises, Inc. (the “Company”). The Audit Committee conducts its oversight activities by exercising the certain responsibilities and powers set forth in its written charter adopted by the Board. A copy of the charter is available on the Company’s website.

The general duties of the Audit Committee include reviewing the Company’s financial information that will be presented to stockholders and filed with the SEC; appointing the independent registered public accounting firm; reviewing services provided by the Company’s independent auditors and internal audit department; and evaluating the Company’s accounting policies and its system of established internal controls. In its oversight of the independent registered public accounting firm, the Audit Committee reviews the scope of the audit, audit fees, auditor independence matters and the extent to which the independent auditors are retained to perform non-audit services for the Company.

The Audit Committee does not prepare financial statements or perform audits, and its members are not auditors or certifiers of the Company’s financial statements. Rather, the Company’s management is responsible for the preparation, consistency, integrity and fair presentation of the Company’s financial statements, accounting and financial principles, internal control and disclosure control systems and procedures designed to ensure compliance with applicable accounting standards, laws and regulations. The Company’s independent registered public accounting firm, KPMG LLP, is responsible for performing independent quarterly reviews and an independent annual audit of the financial statements and internal control over financial reporting and for expressing an opinion on the conformity of those statements with accounting principles generally accepted in the United States of America (“GAAP”) and an opinion on the effectiveness of the Company’s internal control over financial reporting.

In conjunction with the preparation of the Company’s 2017 audited consolidated financial statements, the Audit Committee met with both management and the independent auditors of the Company to review and discuss significant accounting issues and the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for 2017 prior to the issuance of such financial statements. Management advised the Audit Committee that such financial statements were prepared in accordance with GAAP, and the Audit Committee discussed such financial statements with management and the independent auditors. The Audit Committee’s assessment included a discussion with the Company’s independent auditors regarding matters that are required to be discussed pursuant to applicable standards of the Public Company Accounting Oversight Board.

The Audit Committee also received and reviewed the written disclosures and letter submitted to the committee by the Company’s independent auditors, KPMG LLP. Such written disclosures and letter are required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP’s communications with the Audit Committee concerning independence. The Audit Committee and KPMG LLP also discussed KPMG LLP’s independence as the independent auditors of the Company.



Based on the foregoing reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for 2017, for filing with the SEC.

Patrick J. Jung, Chair  
Kenneth M. Bird, Ed.D.  
Diane Duren  
Michael L. Gallagher  
Gerald H. Timmerman

#### RECOMMENDATION OF THE BOARD OF DIRECTORS — PROPOSAL 3

We are asking stockholders to ratify the appointment of KPMG as our independent registered public accounting firm for 2018. Although this stockholder ratification is not required by our By-Laws, Audit Committee charter or otherwise, the Board of Directors is submitting the selection of KPMG to our stockholders for ratification as a matter of good corporate governance.

In the event our stockholders do not ratify the appointment of KPMG, then our Audit Committee and Board of Directors will reconsider the appointment. Even if our stockholders ratify the selection of KPMG, the Audit Committee will retain its authority to, in its discretion and at any time during 2018, select a different independent registered public accounting firm or terminate KPMG if the Audit Committee determines that such a change would be in our best interests and those of our stockholders.

The Board of Directors unanimously recommends that stockholders vote FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2018. The Designated Proxy Holder of proxies solicited by the Board in this Proxy Statement will vote the proxies as directed on each proxy, or if no instruction is made, for the ratification of the appointment of KPMG LLP.

#### TRANSACTIONS WITH RELATED PERSONS

##### REVIEW AND APPROVAL OF RELATED PERSON TRANSACTIONS

Our Governance Committee charter requires the Governance Committee (each member of which is independent under applicable NASDAQ listing standards and SEC rules) to oversee administration of our policies with respect to related person transactions and to review and approve all related person transactions submitted to the Governance Committee when such approval is required under the NASDAQ and SEC rules and regulations. The Company discloses related person transactions that are required to be disclosed under SEC rules in its applicable SEC filings.

For purposes of Item 404 of SEC Regulation S-K, a "related person transaction" is generally any effected or proposed transaction, arrangement or relationship in which:

- (i) The Company was or is to be a participant;
- (ii) The amount involved exceeds or is expected to exceed \$120,000; and
- (iii) Any "related person" has an interest.

Under Item 404, "related person" generally means:

- A director or director nominee of the Company;
- An executive officer of the Company;
- A security holder who is known to be the beneficial owner of more than 5% of our common stock;
-

Any “immediate family member” of a director, director nominee, executive officer or beneficial owner of more than 5% of our common stock. “Immediate family members” include spouse, children, parents, siblings, in-laws, stepparents and stepchildren and any other person sharing the related person’s household; or

Any firm, corporation or other entity in which any of the foregoing persons (i) is employed by, a director of or a partner or principal in such entity or (ii) has a beneficial ownership interest of 10% or more.

## RELATED PERSON TRANSACTIONS

Land Lease Agreement. The Company leases certain land from the Clarence L. Werner Revocable Trust (the “Trust”), a related person. CL Werner, Chairman and Chief Executive Officer of Werner Enterprises, Inc., is the sole trustee of the Trust. On February 8, 2007, the Company entered into a revised Lease Agreement, effective as of May 21, 2002 (the “Lease Agreement”), and a License Agreement (the “License Agreement”) with CL Werner in his capacity as trustee. The Lease Agreement and License Agreement were approved by the disinterested members of the Board of Directors at the Board’s February 8, 2007 meeting. The Lease Agreement was originally entered into between the parties on May 21, 2002 with a 10-year lease term commencing June 1, 2002 (the “2002 Lease Agreement”).

The Lease Agreement covers the lease of land comprising approximately 35 acres (referred to as the “Lodge Premises”), with improvements consisting of lodging facilities and a sporting clay range which the Company uses for business meetings and customer and supplier promotion. The 2002 Lease Agreement provided for a non-exclusive license to use for hunting purposes a contiguous portion of farmland comprising approximately 580 acres (referred to as the “Farmland Premises”). These license rights were deleted from the Lease Agreement and incorporated into the License Agreement.

The Lease Agreement’s initial ten-year term expired May 31, 2012. The Lease Agreement gives the Company the option to extend such agreement for two additional five-year periods, through 2017 and 2022, respectively. The Company exercised its option to extend the term of the lease to May 31, 2022. Under the Lease Agreement, the Company also makes annual rental payments of one Dollar (\$1.00) per year, and the Company is responsible for the real estate taxes and maintenance costs on the Lodge Premises. These costs totaled approximately \$72,000 in 2017. The terms of the Lease Agreement also permit CL Werner, in his capacity as landlord, to receive as rent use of the Lodge Premises and Farmland Premises for personal use.

Under the Lease Agreement, at any time during the lease or any extension thereof, the Company has the option to purchase the Lodge Premises from the Trust at its current market value, excluding the value of all leasehold improvements the Company made. The Company also has a right of first refusal to purchase the Lodge Premises, or any part thereof, if the Trust receives an offer from an unrelated third party to purchase the Lodge Premises. The Trust has the option at any time during the lease to demand that the Company exercise its option to purchase the Lodge Premises. If the Company does not elect to purchase the Lodge Premises as demanded by the Trust, then the Company’s option to purchase at any time during the lease is forfeited; however, the Company will retain the right of first refusal with respect to a purchase offer from an unrelated third party. If, at the termination of either of the two five-year renewal periods, the Company has not exercised its option to purchase the Lodge Premises accordingly, the leasehold improvements become the property of the Trust. However, the Company currently intends to exercise its option to purchase the Lodge Premises at its current market value prior to the completion of the lease period, including the two five-year renewal periods. The Company has made leasehold improvements to the Lodge Premises since the inception of the lease agreement in 1994. The cost of these improvements was approximately \$6.6 million, and the net book value (cost less accumulated depreciation) at December 31, 2017 was approximately \$2.4 million.

The revisions to the Lease Agreement removed the provisions relating to the Farmland Premises (including the option to purchase rights), as of the effective date of the 2002 Lease Agreement, and the Company and the Trust entered into the separate License Agreement defining the Company’s respective rights to the Farmland Premises. Under the License Agreement, the Company and its invitees are granted a non-exclusive right to hunt and fish on the Farmland Premises, for a term of one year, which is automatically renewable unless either party terminates not less than 30 days prior to the end of the current annual term. The Trust agrees to use its best efforts to maintain a controlled shooting area permit on the Farmland Premises while the License Agreement is effective and to maintain the land in a manner to maximize hunting cover for game birds. In consideration of the license to hunt and fish on the Farmland Premises, the Company agrees to pay the Trust an amount equal to the real property taxes and special assessments levied on the land

and the cost of all fertilizer and seed used to maintain the hunting cover and crops located on the land. Such costs were approximately \$46,000 for 2017.

Family Members of Executive Officers and Directors. The Company employs family members of certain executive officers and directors. Such family members are employed on the same terms and conditions as non-related employees, and their total compensation is commensurate with that of their peers. In 2017, the Company employed one individual who is considered a “related person” under Item 404 of Regulation S-K of the SEC, and this individual’s total compensation was \$197,331. This amount include all elements of compensation received by the individual, including



cash compensation, equity awards, perquisites and other personal benefits and forms of compensation. The Company also employed three other related persons during 2017, none of whom received compensation in excess of \$120,000.

Gregory L. Werner Severance Agreement. Effective August 27, 2015, Gregory L. Werner resigned as our Chief Executive Officer. In connection with his resignation, Mr. Werner and the Company entered into a Severance Agreement and Release (the "Severance Agreement") dated August 27, 2015, the terms of which were approved by the Compensation Committee. Under the Severance Agreement and subject to the terms and conditions set forth therein, the Company and Mr. Werner agreed to the following severance benefits: (i) a cash severance benefit of \$4.0 million, payable in ten (10) semi-annual installments of \$400,000 each on January 1 and July 1 of each year, with the first payment to be made on January 1, 2016 and the last payment to be made on July 1, 2020, and (ii) payment of Mr. Werner's COBRA premiums for continuation of health benefits for a period of 18 months. In accordance with the terms of Mr. Werner's previously granted equity compensation award agreements and the Company's Amended and Restated Equity Plan, all unvested equity awards were forfeited upon the effective date of his resignation.

## OTHER BUSINESS

We do not know of any business that will be presented for consideration at the 2018 Annual Meeting of Stockholders other than that described in this Proxy Statement. As to other business (if any) that may properly be brought before the meeting, we intend that proxies solicited by the Board will be voted in accordance with the best judgment of the person voting the proxies.

## STOCKHOLDER PROPOSALS

Only stockholders of record as of March 19, 2018, are entitled to bring business before the 2018 Annual Meeting. All stockholder proposals must be in writing and include the following:

- (i) A brief description of the business the stockholder desires to bring before the Annual Meeting;
- (ii) The reason for conducting such proposed business at the Annual Meeting;
- (iii) The name and address of the stockholder proposing such business;
- (iv) The number of shares of our common stock beneficially owned by such stockholder; and
- (v) Any material interest of the stockholder in such business.

To be eligible for inclusion in our 2019 Proxy Materials: Stockholder proposals intended to be presented at our 2019 Annual Meeting of Stockholders must be in writing and be received by the Corporate Secretary at our executive offices on or before December 6, 2018. The inclusion of any such stockholder proposal in our 2019 Proxy Materials will be considered untimely if received after December 6, 2018. Stockholders may submit nominations for directors to be elected at the 2019 Annual Meeting of Stockholders, and such nominations must be contained in a written proposal and delivered to the Corporate Secretary at our executive offices by December 6, 2018. For a description of the process of submitting stockholder nominations for director, refer to the Director Nomination Process section under Corporate Governance in this Proxy Statement.

All written stockholder proposals (whether for the recommendation of director candidates or the proposal of other business) are subject to and must comply with the applicable rules and regulations under the Exchange Act, including Rule 14a-8. Rule 14a-8 provides requirements for the inclusion of stockholder proposals in company-sponsored proxy materials. The address for our Corporate Secretary and executive offices is provided in the Contacting the Corporate Secretary and Executive Offices section of this Proxy Statement.

Regarding proposals not to be included in our 2018 Proxy Materials: Stockholders may present proposals for consideration at the 2018 Annual Meeting of Stockholders that are not intended for inclusion in the 2018 Proxy Materials. These proposals must be received in writing by the Corporate Secretary at our executive offices no later than April 18, 2018 for the 2018 Annual Meeting. Pursuant to our By-Laws, stockholders may make other proposals at the Annual Meeting to be discussed and considered; but unless the Corporate Secretary receives the written proposal at least twenty days before the Annual Meeting, such proposal will be considered untimely and will not be acted upon. Instead, the proposal will be laid over for action at the next stockholder meeting.

## STOCKHOLDERS SHARING THE SAME ADDRESS

We have adopted a procedure called “householding” pursuant to SEC rules and regulations. Under this procedure, we will deliver only one copy of this Proxy Statement and our 2017 Annual Report to multiple stockholders who share the same mailing address (if they appear to be members of the same family), unless we have received contrary instructions from an affected stockholder. Stockholders who participate in householding will continue to receive separate Proxies. This procedure reduces our printing and mailing costs and fees.

We will promptly deliver, upon written or oral request, a separate copy of this Proxy Statement and the 2017 Annual Report to any stockholder at a shared address to which a single copy of either of those documents was delivered. To request a separate copy of this Proxy Statement and/or the 2017 Annual Report, stockholders may write or call our Corporate Secretary at our executive offices. You will not be charged for any requested copies. This Proxy Statement and our 2017 Annual Report are also available on our website.

Householding of proxy materials occurs when you provide us or your broker with a written householding consent. Stockholders who would like to revoke their householding consent and receive a separate copy of our subsequent proxy statements and annual reports to stockholders should contact their broker (if the shares are held in a brokerage account) or our Corporate Secretary (if you hold registered shares). Stockholders who share a mailing address and receive multiple copies of proxy materials but would like to participate in householding and receive a single copy of our proxy materials should contact their broker or our Corporate Secretary.

## CONTACTING THE CORPORATE SECRETARY AND EXECUTIVE OFFICES

Our Corporate Secretary is James L. Johnson. The mailing address, telephone numbers and e-mail address for our Corporate Secretary and executive offices are:

Werner Enterprises, Inc.  
Attention: Corporate Secretary  
Post Office Box 45308  
Omaha, Nebraska 68145-0308  
Telephone: (402) 895-6640  
Toll-Free: (800) 228-2240  
E-Mail: [invrelations@werner.com](mailto:invrelations@werner.com)

## INTERNET WEBSITE AND AVAILABILITY OF MATERIALS

Our Internet website, as referred to in this Proxy Statement, is: <http://www.werner.com>, under the “Investors” link. This Proxy Statement, the Notice of Annual Meeting of Stockholders and 2017 Annual Report (including our Annual Report on Form 10-K for 2017) are available on our website. Our prior proxy statements, annual reports and SEC filings are also included on the website. You may obtain a copy of these materials, without charge, on our website or by contacting the Corporate Secretary.

By Order of the Board of Directors,

James L. Johnson  
Omaha, Nebraska Executive Vice President, Chief Accounting Officer  
April 5, 2018 & Corporate Secretary



WERNER ENTERPRISES, INC.

Post Office Box 45308

Omaha, Nebraska 68145-0308

PROXY

This Proxy is solicited on behalf of the Board of Directors for the Annual Meeting of Stockholders to be held Tuesday, May 8, 2018. The undersigned stockholder hereby acts by proxy and appoints Clarence L. Werner to act as duly authorized attorney-in-fact and proxy (the "Designated Proxy Holder"), to represent and vote, as the undersigned stockholder directs herein, all shares of common stock of Werner Enterprises, Inc., that such stockholder is entitled to vote as of March 19, 2018 at the Annual Meeting of Stockholders to be held on Tuesday, May 8, 2018 (including any adjournments or postponements thereof), and to vote all such shares on any other business that properly comes before such meeting. The proposals to be voted on in this Proxy are not related to, and are not conditioned upon, the approval of other matters.

PROPOSAL 1 – Election of directors. Check only one box. To withhold authority to vote for any individual 1. nominee(s), check "For All Except" and write the number(s) of the nominee(s) on the line below the box. (Board of Directors recommendation: FOR ALL)

Nominees: 1. Clarence L. Werner – Class III 2. Patrick J. Jung – Class III 3. Michael L. Gallagher – Class III

For All o      Withhold      For All  
                 All o            Except  
                                 o

To cumulate votes as to a particular nominee as explained in the Proxy Statement, check this box and then indicate the name(s) and the number of votes to be given to such nominee(s) on the line below. Please do not check this box unless you want to exercise cumulative voting. o  
Cumulate

2. PROPOSAL 2 – To approve the advisory resolution on executive compensation. Check only one box. (Board of Directors recommendation: FOR)

Against Abstain  
oo      o

3. PROPOSAL 3 – To ratify the appointment of KPMG LLP as the independent registered public accounting firm of Werner Enterprises, Inc. for the year ending December 31, 2018. Check only one box. (Board of Directors recommendation: FOR)

Against Abstain  
oo      o

This Proxy, when properly executed, will be voted as directed by the undersigned stockholder. If no instruction is given with respect to a proposal, this Proxy will be voted in accordance with the recommendation of the Board of Directors, which is: "FOR ALL" for Proposal 1 and "FOR" for Proposals 2 and 3.

Please date, sign and print your name.\*

IF HELD  
JOINTLY:

Signature      Date    Signature      Date

Printed Name      Printed Name

\*When shares are held by joint tenants, both individuals should sign this Proxy. When signing as an attorney, executor, administrator, trustee or guardian, provide your full title. If the stockholder is a corporation or partnership, provide the full corporate or partnership name by the name of the authorized officer or person completing this Proxy. Please mark, sign, date and promptly return this Proxy using the enclosed postage-paid return envelope.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 8, 2018:** The Proxy Statement and 2017 Annual Report of Werner Enterprises, Inc. are available, without charge, at <http://www.werner.com> under the "Investors" link or by contacting the Corporate Secretary by toll free telephone at (800) 228-2240 or by e-mail at [invrelations@werner.com](mailto:invrelations@werner.com).