

RR Donnelley & Sons Co
Form DEF 14A
April 10, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

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 Section 240.14a-11(c) or Section 240.14a-12

R. R. Donnelley & Sons Company

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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| WHEN: | WHERE | RECORD DATE |
|------------------------|----------------------------|-----------------------|
| Thursday, May 18, 2017 | Hotel Indigo | The close of business |
| 11 a.m. Central time | 120 Water Street | March 31, 2017 |
| | Naperville, Illinois 60540 | |

Dear Stockholders:

We are pleased to invite you to the R.R. Donnelley & Sons Company 2017 Annual Meeting of Stockholders.

Items of Business

- Item 1. To elect the nominees identified in this proxy statement to serve as directors until the 2018 Annual Meeting of Stockholders
- Item 2. To approve, on an advisory basis, the compensation of our named executive officers
- Item 3. To approve, on an advisory basis, the frequency of advisory votes on executive compensation
- Item 4. To approve the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm
- Item 5. To approve the 2017 Performance Incentive Plan
- Item 6. To transact other business as may properly come before the meeting and any adjournments or postponements of the meeting

Stockholders of record as of the close of business on March 31, 2017 are entitled to vote at the 2017 Annual Meeting of Stockholders and any postponement or adjournment thereof. On the record date, there were 70,008,960 shares of common stock of R.R. Donnelley & Sons Company (RR Donnelley or the Company) issued and outstanding and entitled to vote at the meeting.

Your vote is important! We strongly encourage you to exercise your right to vote as a stockholder. Please sign, date and return the enclosed proxy card or voting instruction card in the envelope provided. You may also vote by calling the toll-free number or logging on to the Internet even if you plan to attend the meeting. You may revoke your proxy at any time before it is exercised.

You will find instructions on how to vote on page 13. While most stockholders vote by proxy and do not attend the meeting in person, as long as you were a stockholder at the close of business on March 31, 2017, you are invited to attend the meeting, or to send a representative. Please note that only persons with an admission ticket or evidence of stock ownership, or who are guests of the Company, will be admitted to the meeting.

By Order of the Board of Directors,

Deborah L. Steiner

General Counsel and Corporate Secretary

April 10, 2017

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on May 18, 2017

This proxy statement and our annual report to stockholders are available on the Internet at www.rrdonnelley.com/proxymaterials. On this site, you will be able to access our 2017 Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and all amendments or supplements to the foregoing materials that are required to be furnished to stockholders.

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1. ELECTION OF DIRECTORS

The following information about the business background of each person nominated by the Board of Directors (the Board) has been furnished to the Company by the nominees for director. Each director will serve until the next annual meeting of stockholders and until a successor is elected and qualified, or until such director's earlier resignation, removal, or death.

On October 1, 2016, we completed the previously announced separation and distribution to our stockholders of our financial communications and data services business and our publishing and retail-centric print services and office products business into two separate publicly-traded companies (the Spinoff). At the time of the Spinoff, the Corporate Responsibility & Governance Committee of our Board evaluated the specific qualifications and experiences that would be needed by the members of the Board after the Spinoff to ensure that the Board was comprised of directors who bring diverse viewpoints, skills and professional experience, while ensuring continuity of leadership within the Board. Messrs. McLevish and Phipps and Ms. Moldafsky, each of whom was recommended to us by a third party search firm, joined the Board following the Spinoff.

Described below are certain individual qualifications, experiences and skills of our directors that contribute to the Board's effectiveness as a whole.

This proxy statement is issued by RR Donnelley in connection with the 2017 Annual Meeting of Stockholders scheduled for May 18, 2017. This proxy statement and accompanying proxy card are first being mailed to stockholders on or about April 10, 2017.

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PROPOSALS: 1. Election of Directors

The names of the nominees, along with their present positions, their principal occupations, their current directorships held with other public corporations, as well as such directorships held during the past five years, their ages and the year first elected as a director, among other things, are set forth below.

Daniel L. Knotts

Daniel L. Knotts has served as a member of our Board since 2016.

Current Directorships:

None

Since October 2016, Mr. Knotts has been the Chief Executive Officer of R.R. Donnelley. Prior to that, Mr. Knotts was the Company's Chief Operating Officer since 2013. He served as Group President from 2008 until 2012 and, from 2007 until 2008, he served as Chief Operating Officer of the Global Print Solutions business. From 1986 until 2007, Mr. Knotts held positions of increasing responsibility at RR Donnelley within finance, operations, sales management and business unit leadership at various locations in the United States including serving as Senior Vice President of Operations for the Magazine Business, President of the Specialized Publishing Services business and President of the Magazine, Catalog and Retail businesses.

Former Directorships:

None

Age: 52

Qualifications:

Mr. Knotts brings over 30 years of experience in the printing industry. He has served in various operational and leadership capacities throughout the Company and his deep knowledge of the industry and the Company give him unique strategic insights.

Director since: 2016



John C. Pope

John C. Pope is the Chairman of our Board. Mr. Pope has been a member of our Board since 2004.

Current Directorships:

The Kraft Heinz Company
Waste Management, Inc.
Talgo SA

Mr. Pope has served as the Chairman of PFI Group, LLC, a private investment company, since 1994. From 1988 until 1994, Mr. Pope served in various capacities at United Airlines and its parent company UAL

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Corporation, including serving as President, Chief Operating Officer and a director.

Former Directorships:

Con-way, Inc.

Dollar Thrifty Automotive Group, Inc.

Federal-Mogul Corporation
Navistar International Corporation

Kraft Foods, Inc.

MotivePower Industries

Age: 68

Director since: 2004

Qualifications:

Mr. Pope's experience as chairman and senior executive of various public companies provides financial, strategic and operational leadership experience. He is an audit committee financial expert based on his experience as chief financial officer of a public company as well as his experience as a member and chairman of other public company audit committees. He has considerable corporate governance experience through years of service on other public company boards in a variety of industries.

Susan M. Gianinno

Susan M. Gianinno has served as a member of our Board since 2013. Ms. Gianinno is the Chairman of our Corporate Responsibility & Governance Committee.

Current Directorships:

None

Former Directorships:

A.T. Cross, Inc.

Since 2014, Ms. Gianinno has served as the Chairman of Publicis Worldwide, North America, an advertising agency network, and, in 2017, also became the Chairman of Publicis Academy. She was the Chairman and CEO of Publicis USA from 2003 to 2014. In addition, from 2014 until 2015, Ms. Gianinno was an Advanced Leadership Fellow at Harvard University. Prior to joining Publicis, Ms. Gianinno was a member of the Executive Committee of BCom3 Group, Inc., an advertising agency, until 2002, and Chairman and President of D'Arcy Masius Benton & Bowles, Inc. from 1998 to 2012.

Qualifications:

Age: 68

Ms. Gianinno's experience as chief executive officer and president of various companies in the advertising industry gives the Board a different perspective regarding the ways in which new media, the internet and e-commerce have affected the advertising industry and the broader strategies of the Company's clients.

Director since: 2013



BOARD SKILLS KEY Financial Global Business Governance Leadership Sales & Marketing Strategy

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PROPOSALS: 1. Election of Directors

Jeffrey G. Katz Jeffrey G. Katz has served as a member of our Board since 2013.

Current Directorships:

CA Technologies, Inc. Since 2016, Mr. Katz has served as the Chief Executive Officer of Journera, LLC (formerly Dihedral, LLC), an experience management platform for the travel industry. From 2010 until 2014, Mr. Katz served as Chief Executive Officer of Wize Commerce Inc., a global leader in online monetization and traffic acquisition technologies. Prior to that, Mr. Katz held various positions at LeapFrog Enterprises, Inc., a digital educational toys and games business, including serving as the Executive Chairman of LeapFrog LLC from 2010 to 2011, the Chairman, President and Chief Executive Officer of LeapFrog Enterprises, Inc. from 2009 to 2010, the President and Chief Executive Officer from 2006 to 2009 and in non-executive director positions from 2005 to 2006.

Former Directorships:

Digital River, Inc.
Northwest Airlines
LeapFrog Enterprises, Inc. Mr. Katz is the founding Chairman of, and, from 2000 to 2004 served as the President and Chief Executive Officer of, Orbitz, Inc., a global online travel company. He held various positions at SwissAir Group, American Airlines, Inc., and Lawrence Livermore National Laboratory prior to founding Orbitz.
Orbitz, Inc.

Qualifications:

Age: 61
Director since: 2013
Mr. Katz's experience as a chief executive officer and chairman of high performance digital organizations helps the Board further the Company's evolution in its role as a global provider of integrated communications, provides valuable insight for the Company as to the issues and opportunities facing the Company and provides experience in strategic planning and leadership of evolving organizations. He is an audit committee financial expert based on his chief executive officer experience, including his experience supervising a principal financial officer, and has considerable corporate governance experience through his years of service on other public company boards in a variety of industries.

Timothy R. McLevish Timothy R. McLevish has been a member of our Board since 2016. Mr. McLevish serves as the Chairman of our Audit Committee.

Current Directorships:

Kennametal, Inc.
Lamb Weston Holdings, Inc. Since November 2016, Mr. McLevish has been the Executive Chairman of Lamb Weston Holdings, Inc., a global leader in processing frozen potatoes for food service, quick serve restaurants and retail. From 2015 until 2016, Mr. McLevish served as Senior Advisor to the Chief Executive Officer of Walgreens Boots Alliance, Inc., a retail drug store chain. Prior to this, he served as their Executive Vice President and Chief Financial Officer from 2014 until 2015. From 2007 to 2014, Mr. McLevish held various positions with Kraft Foods Group, Inc. and its predecessor company Kraft Foods, Inc., manufacturers and marketers of packaged food products, including serving as Executive Vice President and Chief Financial Officer of Kraft Foods Group from 2012 to 2013, Executive Vice President and advisor to the Chief Executive Officer of Kraft Foods, Inc. from 2011 until 2013 and as Chief Financial Officer of Kraft Foods, Inc. from 2007 to 2011. From 2002 until 2007, Mr. McLevish was the Senior Vice President and Chief Financial

Former Directorships:

ConAgra Foods, Inc.

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URS Corporation

Officer of Ingersoll-Rand Company Limited, a diversified industrial company. Mr. McLevish was the Vice President and Chief Financial Officer of Mead Corporation, a manufacturer of wood products, from 1999 to 2002.

US Foods, Inc.

Qualifications:

Age: 62

Mr. McLevish's experience as chief financial officer of multiple multinational companies brings deep financial and global business experience to the Board. He is an audit committee financial expert based on his experience as chief financial officer of public companies and brings deep knowledge of financial reporting, internal controls and procedures and risk management to our Board. Mr. McLevish also has considerable corporate governance experience gained through his years of experience on other public company boards, including serving as the Executive Chairman of the Board of Lamb Weston Holdings, Inc.

Director since: 2016

Jamie Moldafsky

Jamie Moldafsky has been a member of the Board since 2016.

Current Directorships:

None

Ms. Moldafsky has served as the Chief Marketing Officer of Wells Fargo & Company, a global banking and financial services company, since 2011 and Executive Vice President, Sales, Marketing, Strategy & Home Equity from 2005 to 2011. Prior to this, she held various marketing, general management and leadership positions at several companies including Whirlpool Corporation, Charles Schwab Corporation, Applause Enterprises, Inc. and American Express Company.

Former Directorships:

None

Qualifications:

Ms. Moldafsky's extensive sales and marketing experience provides the Board with a combination of operational and strategic insights. Her experience in marketing and digital communications provides leadership and innovative thinking which will further the Company's evolution as a global provider of integrated communications.

Age: 55

Director since: 2016

BOARD SKILLS KEY

Financial

Global Business

Governance

Leadership

Sales & Marketing

Strategy

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PROPOSALS: 2. Advisory Vote to Approve Executive Compensation

P. Cody Phipps

P. Cody Phipps has been a member of our Board since 2016. Mr. Phipps serves as the Chairman of our Human Resources Committee.

Current Directorships:

Owens & Minor, Inc.

Since 2015, Mr. Phipps has served as the President, Chief Executive Officer and a member of the board of directors of Owens & Minor, Inc., a medical device and supply company. From 2003 until 2015, Mr. Phipps held various leadership positions at Essendant, Inc. (formerly United Stationers, Inc.), a wholesale distributor of workplace supplies, furniture and equipment, including serving as the President, Chief Executive Officer and member of the board of directors from 2011 to 2015. Previously, he was a Partner at McKinsey & Company, Inc., where he co-founded and led its service strategy and operations initiative, which focused on driving operational improvements in complex service and logistic environments.

Former Directorships:

Con-Way, Inc.

Essendant, Inc.

Qualifications:

Age: 55

Mr. Phipps' experience as president and chief executive officer of multiple companies helps the Board further the Company's role as a global provider of integrated communications and provides experience in strategic planning and leadership of evolving organizations. His extensive experience as a strategic consultant helps the Board supervise the Company's ongoing drive for operational improvements.

Director since: 2016



BOARD SKILLS KEY

Financial Global Business Governance Leadership Sales & Marketing Strategy

In 2016, the Board met fifteen times. Each director of the Company during 2016 attended at least 75% of the total number of meetings of the Board and those committees of which the director was a member during the period he or she served as a director.

If any nominee does not stand for election, proxies voting for that nominee may be voted for a substitute nominee selected by the Board. The Board may also choose to reduce the number of directors to be elected at the meeting.

Only directors that receive a majority of the votes cast **FOR** their election will be elected. In the event that an incumbent director is not reelected, the Company's *Principles of Corporate Governance* require that director to promptly tender his or her resignation. The Board will accept this resignation unless it determines that the best interests of the Company and its stockholders would not be best served by doing so.

The Board recommends that the stockholders vote FOR each of our nominees for director.

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2. ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

As required by Section 14A of the Securities Exchange Act of 1934 (the Exchange Act), the Company is presenting a proposal that gives stockholders the opportunity to cast an advisory (non-binding) vote on our executive compensation for our named executive officers (our NEOs) by voting for or against it (Say-on-Pay). At the 2011 Annual Meeting, stockholders were asked to vote on an advisory (non-binding) basis on whether the Say-on-Pay vote should be held annually, every two years or every three years. Our stockholders indicated a preference for holding such a vote on an annual basis. As a result of such vote on the frequency of the Say-on-Pay vote, our Board has since held an advisory (non-binding) vote to approve our executive compensation every year.

The Company received a 95.32% vote in support of its executive compensation program in the 2016 Say-on-Pay advisory vote. During the course of 2016, the Company continued its practice of engaging with stockholders about various corporate governance topics including executive compensation. The feedback received from investors and the results of past advisory votes were taken into consideration by the Board's Human Resources Committee (the HR Committee) in the review and administration of our program throughout the year and in the full scale evaluation of executive compensation that was conducted in 2016.

For 2016, the effective and timely execution of the Spinoff was the primary consideration for the HR Committee when designing the compensation plan. Given the tremendous amount of work that needed to be accomplished in order to split RR Donnelley into three publicly-traded companies, the Board and the HR Committee recognized the need to keep all employees, including, in particular, the NEOs, focused on the execution of the Spinoff, and to ensure retention of key executives throughout the Spinoff.

As discussed in the *Compensation Discussion and Analysis* beginning on page 24, we believe the 2016 compensation decisions and the overall executive compensation program are tailored to our business strategies, including taking into account the effect of the Spinoff, aligning pay with performance and taking into account the feedback received from our investors.

In 2016, compensation for the NEOs was comprised of three major components: base salary, annual incentive compensation and long-term incentive compensation. In addition, the NEOs were eligible to participate in benefit programs generally available to other executives within the Company and other benefits provided to certain executives as further described under *Benefit Programs* beginning on page 31 of this proxy statement.

As in prior years, in addition to the foregoing, RR Donnelley's 2016 compensation philosophy was guided by five principles:

establish target compensation levels that are competitive within the industries and markets in which we compete for executive talent;

structure compensation so that our executives share in our short- and long-term successes and challenges by varying compensation from target levels based upon business and individual performance;

link pay to performance by making a substantial percentage of total executive compensation variable, or at risk, through annual incentive compensation and long-term incentive awards;

base a substantial portion of each NEO's long-term incentive award on performance measures while maintaining a meaningful portion that vests over time and is therefore focused on the retention of top talent; and

align a significant portion of executive pay with stockholder interests through equity awards and stock ownership requirements. Consistent with our compensation philosophy, RR Donnelley has adopted the following compensation best practices:

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the HR Committee determined that any future executive officer agreements would not include any gross-up for excise taxes and amended existing executive officer agreements to remove pre-existing gross-ups following the Spinoff;

overall compensation levels target market survey data medians and, where available, peer group medians, with a range of opportunity to reward strong performance and withhold rewards when objectives are not achieved;

equity plans do not permit option re-pricing or option grants below fair market value;

no tax gross-ups on any supplemental benefits or perquisites;

policy that prohibits employees, directors and certain of their immediate family members from pledging, short sales, trading in publicly traded options, puts or calls, hedging or similar transactions with respect to our stock;

no payment or accrual of dividends on performance share units (PSUs) or restricted share units (RSUs) issued to executives;

limited perquisites provided to executive officers;

clawback policy covering all executive officers;

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PROPOSALS: 2. Advisory Vote to Approve Executive Compensation

the HR Committee hired Willis Towers Watson Human Resources Consulting (Willis Towers Watson) as its executive compensation consultant because of their expertise and years of experience as well as their previous work with the HR Committee on the full scale evaluation of all our executive compensation programs;

meaningful stock ownership requirements for senior management, including executive officers, to further strengthen the alignment of management and stockholder interests; and

annual review of the executive compensation program by the HR Committee to determine how well actual compensation targets and levels met our overall philosophy and targeted objectives in comparison to both market data and, where available, peer group data. This proposal gives our stockholders the opportunity to express their views on the overall compensation of our NEOs and the philosophy, policies and practices described in this proxy statement.

The Say-on-Pay vote is an advisory vote only and, therefore, it will not bind the Company or our Board. However, the Board and the HR Committee will consider the voting results as appropriate when making future decisions regarding executive compensation.

The affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or by proxy at the 2017 Annual Meeting and entitled to vote on the advisory resolution on executive compensation is required to approve the proposal.

For the reasons discussed above, we are asking our stockholders to indicate their support for our NEOs' compensation by voting FOR the following resolution at the 2017 Annual Meeting:

RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion & Analysis, the 2016 Summary Compensation Table and the other related tables and disclosures in this Proxy Statement.

The Board recommends that the stockholders vote FOR approval, on an advisory basis, of the compensation of our NEOs as disclosed in this proxy statement.

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PROPOSALS: 3. Advisory Vote on the Frequency of Advisory Votes on Executive Compensation

PROPOSALS: 4. Ratification of Independent Registered Public Accounting Firm

3. ADVISORY VOTE ON THE FREQUENCY OF ADVISORY VOTES ON EXECUTIVE COMPENSATION

Pursuant to Section 14A of the Exchange Act, we are asking stockholders to vote, on an advisory, non-binding basis, for their preference as to whether the Company should hold future advisory Say-on-Pay votes (similar to what is reflected in Proposal 2) every one, two or three years. Stockholders, if they wish, may abstain from voting on this proposal.

After careful consideration of this proposal, our Board of Directors has determined that it is appropriate and in the best interests of the Company to continue to hold a Say-on-Pay vote every year for a number of reasons, including the following:

an annual Say-on-Pay vote will allow us to obtain stockholder input on our executive compensation program on a consistent basis, which aligns closely with our objective to engage in regular dialogue with our stockholders on corporate governance matters, including our executive compensation philosophy, policies and practices;

an annual Say-on-Pay vote provides the highest level of accountability and communication by enabling the Say-on-Pay vote to correspond with the most recent executive compensation information presented in our proxy statement for the annual meeting; and

an annual Say-on-Pay vote reflects sound corporate governance principles and is consistent with a majority of institutional investor policies. Stockholders are not voting to approve or disapprove of the Board's recommendation. Instead, stockholders are provided with four choices with respect to this proposal: one year, two years, three years or stockholders may abstain from voting on the proposal.

This vote is an advisory vote only, and therefore it will not bind the Company or our Board. However, the Board and the HR Committee will consider the voting results when reviewing our policy on the frequency of future Say-on-Pay votes.

The option of one year, two years or three years that receives the highest number of votes cast by stockholders will be considered by the Board as the stockholders' recommendation as to the frequency of future Say-on-Pay votes. Nevertheless, the Board may decide that it is in the best interests of our stockholders and the Company to hold Say-on-Pay votes more or less frequently than the option approved by our stockholders.

Stockholders may cast their advisory vote to conduct advisory votes on executive compensation every 1 Year , 2 Years or 3 Years , or stockholders may Abstain.

The Board of Directors recommends that the stockholders vote, on an advisory basis, for every 1 YEAR as the frequency with which the advisory Say-on-Pay vote should be held.

4. RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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Proposal 4 is the ratification of the Audit Committee's appointment of Deloitte & Touche LLP as the independent registered public accounting firm to audit the financial statements of the Company for fiscal year 2017. In the event the stockholders fail to ratify the appointment, the Audit Committee will reconsider this appointment. The Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the Company's and its stockholders' best interests. Representatives of Deloitte & Touche LLP will be present at the meeting. They will be available to respond to your questions and may make a statement if they desire.

The affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or by proxy at the 2017 Annual Meeting and entitled to vote on the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2017 is required to approve the proposal.

The Board of Directors and the Audit Committee recommend that the stockholders vote FOR the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2017.

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PROPOSALS: 5. Approval of the 2017 Performance Incentive Plan

5. APPROVAL OF THE 2017 PERFORMANCE INCENTIVE PLAN

On April 6, 2017, the Board approved, and the Board proposes that our stockholders approve, our new RR Donnelley & Sons Company 2017 Performance Incentive Plan (the 2017 PIP). The 2017 PIP is substantially similar to the RR Donnelley & Sons Company 2012 Performance Incentive Plan (the 2012 PIP), which was approved by our stockholders at our 2012 Annual Meeting.

The 2017 PIP will:

increase the maximum aggregate number of shares of common stock available for grant under the 2017 PIP to 3,225,000;

set a one-year minimum vesting period for awards to non-employee directors;

set a \$1,000,000 annual limit on compensation to non-employee directors;

institute double-trigger change in control vesting;

prohibit additional forms of repricing and liberal share counting; and

expand the prohibition on payment of dividends and dividend equivalents to all unvested awards, not just performance awards.

This proposal is also intended to approve the material terms of the performance goals to continue allowing the Company to grant performance awards qualified as performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code, as amended (Section 162(m)).

If approved, the 2017 PIP will become effective as of May 18, 2017 (the Effective Date) and apply to all awards made on or after the Effective Date. We believe approval of the 2017 PIP is necessary to ensure that the Company may continue to grant equity-based awards as part of its compensation programs and to reflect current best practices for stock incentive plans.

A total of 10,000,000¹ shares of our common stock, par value \$0.01 per share, were previously reserved for awards under the 2012 PIP. As of the record date, approximately 166,000 shares of common stock remained available for the future grant of awards under the 2012 PIP. If the 2017 PIP is approved by stockholders, the 2012 PIP will be frozen and these shares will not be available for issuance under the 2017 PIP. Subject to stockholder approval of the 2017 PIP, on the Effective Date, there will be 3,225,000 shares available for future awards under the 2017 PIP.

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We intend to register the shares authorized under the 2017 PIP under the Securities Act of 1933. If stockholders do not approve the 2017 PIP, then (i) the 2012 PIP will remain outstanding and continue as currently in effect, and (ii) the number of shares that may be issued under the 2012 PIP for stock-based awards will be approximately 166,000 (estimated as of March 31, 2017), thereby limiting the Company's ability to make equity grants to the Company's directors and employees. Failure to approve the 2017 PIP will not affect the rights of existing awards or award holders under the 2012 PIP.

Our equity-based compensation model results in a burn rate as indicated in the chart below. All values in the chart reflect the Reverse Split.

| | 2014 | 2015 | 2016 |
|--|------------|------------|------------|
| Basic Weighted Average Shares Outstanding at Year End | 66,174,848 | 68,496,904 | 70,021,281 |
| Equity Grants | | | |
| Stock Options | | | |
| RSU | 242,936 | 233,656 | 804,962 |
| PSU | 106,333 | 139,305 | |
| Total Equity Granted | 349,269 | 372,961 | 804,962 |

¹ On October 1, 2016, the Company conducted a 1 for 3 reverse stock split (the Reverse Split). As a result of the Reverse Split, the number of shares authorized under the 2012 PIP was decreased to 3,333,333 shares. Outstanding awards were updated to reflect the Reverse Split.

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PROPOSALS: 5. Approval of the 2017 Performance Incentive Plan

Equity Compensation Plan Information

The number of shares remaining available for grant under the 2012 PIP, as described above, differs from the numbers reported in the Equity Compensation Plan Information table included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. Pursuant to SEC disclosure rules, the table in our Annual Report on Form 10-K is dated as of December 31, 2016 and therefore does not take into account our 2017 year-to-date grants. Additional information as of the record date of March 31, 2017 includes:

| Plan Category | Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | Weighted-Average Remaining Term of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (1)) |
|---|--|--|--|--|
| (1) | (2)^(a) | (3) | (4)^(b) | |
| Equity compensation plans approved by security holders ^(c) | 3,143,758 | \$ 32.23 | 2.37 | 166,861 |

(a) Restricted share units and performance share units were excluded when determining the weighted-average exercise price of outstanding options, warrants and rights.

(b) Following our March 2017 grants, 166,861 shares remain available for issuance under the 2012 PIP.

(c) Includes 1,388,534 shares issuable upon the vesting of RSUs, 493,343 shares issuable upon the vesting of PSUs and 1,261,881 shares issuable upon the exercise of options.

New Plan Benefits Table

The table below reflects awards granted by the HR Committee on March 3, 2017 from the 2012 PIP. Because the 2017 PIP is substantially similar to the 2012 PIP, for purposes of this table, we have assumed that the same awards would have been made in March 2017 under the 2017 PIP if it had been put in place.

| Name and Position | Number of Units |
|---|------------------------|
| Daniel L. Knotts | |
| President & Chief Executive Officer Terry D. Peterson | 255,827 |
| Executive Vice President and Chief Financial Officer Thomas M. Carroll | 62,535 42,637 |

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Executive Vice President and Chief Administrative Officer
John P. Pecaric

Executive Vice President, Chief Commercial Officer and President International
Deborah L. Steiner 45,480

Executive Vice President and General Counsel 36,952
Executive Group 463,328
Non-Executive Director Group *

Non-Executive Officer Employee Group 412,396

* None of the non-executive directors received grants as of March 2, 2017. The number of units to be granted to the non-executive directors is not determinable at this time.

Background and Purposes of the 2017 PIP

The Board believes that an increase in the number of shares of our common stock authorized under the 2017 PIP is advisable to enable the Company to continue to grant equity-based awards. The Board further believes that the provisions of the 2017 PIP are consistent with market practices and will allow us to attract, motivate, reward and retain the broad-based talent critical to achieving our business goals. Stock ownership by employees and directors provides performance incentives and fosters a long-term commitment to our benefit and to the benefit of our stockholders, offers additional incentives to put forth maximum effort for the success of our business and affords them an opportunity to acquire a proprietary interest in the Company.

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PROPOSALS: 5. Approval of the 2017 Performance Incentive Plan

Approval of the 2017 PIP will also serve to approve the material terms of the performance goals for purposes of Section 162(m). The effectiveness of the 2012 stockholder approval of the material terms of the 2012 PIP's performance goals would otherwise expire in 2017 for Section 162(m) purposes. If the 2017 PIP and performance goals are approved, the effectiveness of the approval will last until 2022 for Section 162(m) purposes. If the approval otherwise expires, some of the compensation paid to the Company's senior executives may not be deductible to the Company, resulting in additional taxable income for the Company.

Purposes of the 2017 PIP

The 2017 PIP is intended to provide incentives:

(i) to officers, other employees and other persons who provide services to the Company through rewards based upon the ownership or performance of Company common stock as well as other performance based compensation; and

(ii) to non-employee directors of the Company through the grant of equity-based awards.

Summary Description of the 2017 PIP

Under the 2017 PIP, the Company may grant stock options, including incentive stock options, stock appreciation rights (SARs), restricted stock, stock units and cash awards, as discussed in greater detail below. The following description of the 2017 PIP is a summary and is qualified in its entirety by reference to the complete text of the 2017 PIP, which is attached as Appendix A to this proxy statement.

Participants. Non-employee directors (of which there will be six following the Annual Meeting), certain employees (approximately 240) and other individuals who provide services to the Company, are eligible to participate in the 2017 PIP.

Administration. The 2017 PIP will be generally administered by a committee designated by the Board (the Plan Committee), but the Board may, in its discretion, administer the 2017 PIP or grant awards. Each member of the Plan Committee is a director that the Board has determined to be an outside director under Section 162(m), a non-employee director under Section 16 of the Exchange Act and independent for purposes of the New York Stock Exchange (the NYSE) listing rules.

The Plan Committee may select eligible participants and determine the terms and conditions of each grant and award. All awards, except those subject to performance-based vesting conditions over a performance period of at least one year or those to non-employee directors, shall have a minimum vesting period of at least three years from the date of grant (such vesting may occur in full at the end of, or in installments over, the three-year period). Up to 5% of the shares available for grant may be granted with a minimum vesting period of less than three years, and the Plan Committee may provide for early vesting upon the death, permanent or total disability, retirement or termination of service of the award recipient. Double trigger vesting shall occur with acceleration upon a Change in Control (as defined in the 2017 PIP) and the grantee's termination without Cause or for Good Reason (each as defined in the applicable award agreement).

Each grant and award will be evidenced by an award agreement approved by the Plan Committee. The Plan Committee generally cannot reprice any stock option or other award granted under the 2017 PIP. Except with respect to grants to (i) officers of the Company who are subject to Section 16 of the Exchange Act, (ii) a person whose compensation is likely to be subject to the \$1 million deduction limit under Section 162(m) (described below under U.S. Federal Income Tax Consequences) or (iii) persons who are not employees of the Company, the Plan Committee may delegate some or all of its power and authority to administer the 2017 PIP to the chief executive officer or other executive officer of the Company.

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Available Shares. Approximately 3,225,000 shares of Company common stock will be available under the 2017 PIP for grants and awards to eligible participants, subject to adjustment in the event of certain corporate transactions that affect the capitalization of the Company. In general, shares subject to a grant or award under the 2017 PIP which are not issued or delivered would again be available for grant. However, shares tendered or withheld upon exercise, vesting, settlement of an award or upon any other event to pay the exercise price or tax withholding and shares purchased by the Company using the proceeds from the exercise of a stock option will not be available for future issuance. Upon exercise of a SAR, the total number of shares remaining available for issuance under the 2017 PIP will be reduced by the gross number of shares for which the SAR is exercised. The price of a share of our common stock on the NYSE at the close of trading on March 31, 2017 was \$12.11.

Award Limits. The maximum number of shares of common stock with respect to which options, SARs or a combination thereof may be granted during any calendar year to any person is 1,500,000. With respect to performance awards that the Plan Committee desires to be eligible for deduction in excess of the \$1,000,000 limit under Section 162(m), the maximum compensation payable pursuant to such awards granted during any calendar year cannot exceed (i) 900,000 shares of common stock or (ii) \$9,000,000. No non-employee director may be granted (in any calendar year) compensation with a value in excess of \$1,000,000, with the value of any equity-based awards based on such award's accounting grant date value.

Termination and Amendment. Unless previously terminated by the Board, the 2017 PIP will terminate on the date on which no shares remain available for grants or awards. Termination will not affect the rights of any participant under grants or awards made prior to termination. The Board may amend the 2017 PIP at any time, but no amendment may be made without stockholder approval if required by any applicable law, rule or regulation, including Section 162(m), if it would increase the number of shares of Company common stock available under the 2017 PIP or permit repricing of awards.

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Stock Options and Stock Appreciation Rights. The period for the exercise of a non-qualified stock option (other than options granted to non-employee directors) or a SAR, and the option exercise price and base price of an SAR, will be determined by the Plan Committee. The option exercise price and the base price of a SAR will not be less than the fair market value of a share of Company common stock on the date of grant, and the minimum vesting period must be at least three years. The exercise of a SAR entitles the holder to receive (subject to withholding taxes) shares of Company common stock, cash or both with a value equal to the excess of the fair market value of a stated number of shares of Company common stock over the SAR base price.

Stock options and SARs must be exercised within ten years of the date of grant, or five years after the date of grant for incentive stock options granted to 10% stockholders. If the recipient of an incentive stock option is a 10% stockholder, the option exercise price will be not less than the price required by the Internal Revenue Code, currently 110% of fair market value on the date of grant.

Performance Awards and Fixed Awards. Under the 2017 PIP, bonus awards, whether performance awards or fixed awards, can be made in (i) cash, (ii) stock units, (iii) restricted shares of Company common stock that are forfeitable and have restrictions on transfer or (iv) any combination of the foregoing.

The performance goals of performance awards must be tied to one or more of the following: net sales; cost of sales; gross profit; earnings from operations; earnings before interest, taxes, depreciation and amortization; earnings before income taxes; earnings before interest and taxes; cash flow measures; return on equity; return on assets; return on net assets employed; return on capital; working capital; leverage ratio; stock price measures; enterprise value; safety measures; net income per common share (basic or diluted); EVA (economic value added); cost reduction goals or, in the case of awards not intended to be qualified performance-based compensation within the meaning of Section 162(m), any other similar criteria established by the Plan Committee. The Plan Committee may provide in any award agreement that the Plan Committee (i) will amend or adjust the performance goals or other terms or conditions of an outstanding award in recognition of unusual or nonrecurring events and (ii) has the right to reduce the amount payable pursuant to any performance award.

Restricted stock recipients will have the rights of a stockholder, including voting and dividend rights, subject to any restrictions and conditions specified in the award agreement. No dividends, however, will be paid at a time when any performance-based goals that apply to an award of restricted shares have not been satisfied. Upon termination of any applicable restriction period, including the satisfaction or achievement of required performance goals, a certificate evidencing ownership of the shares of the common stock will be delivered to the grantee, subject to the Company's right to require payment of any taxes.

Unless otherwise provided by the Plan Committee, recipients of stock units may be credited dividends and other distributions otherwise payable and held until the award is paid out. Interest may be credited. The grantee will have only the rights of a general unsecured creditor and no rights as a stockholder of the Company until delivery of the shares, cash or other property underlying the award.

At the time of vesting of a bonus award: (i) the award, if in units, will be paid to the participant in shares of Company common stock, in cash or in a combination thereof, (ii) the award, if a cash bonus award, will be paid to the participant in cash, in shares of Company common stock or in a combination thereof and (iii) shares of restricted common stock issued pursuant to an award will be released from the restrictions.

Awards to Non-Employee Directors. On the date of each Annual Meeting, the Company will make an award under the 2017 PIP to each individual who is, immediately following such annual meeting, a non-employee director. Any such awards will be in the form of stock options, restricted stock, stock units or SARs with a minimum vesting period of one year from the date of grant.

Transferability. Awards granted under the 2017 PIP may be assigned or transferred in the event of death, subject to certain conditions.

U.S. Federal Income Tax Consequences

The following is a brief summary of some of the U.S. federal income tax consequences generally arising with respect to grants and awards under the 2017 PIP. This summary is not intended to constitute tax advice, is not intended to be exhaustive and, among other things, does not describe state, local or foreign tax consequences. This section is based on the Code, its legislative history, existing and proposed regulations under the Code and published rulings and court decisions, all as in effect as of the date of this document. These laws are subject to change, possibly on a retroactive basis.

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Stock Options. A participant will not recognize any income upon the grant of a non-qualified or incentive stock option. A participant will recognize compensation taxable as ordinary income upon exercise of a non-qualified stock option in an amount equal to the excess of the fair market value of the shares purchased on the date of exercise over their exercise price, and the Company (or one of its subsidiaries) generally will be entitled to a corresponding deduction, except to the extent limited by Section 162(m). A participant will not recognize any income (except for purposes of the alternative minimum tax) upon exercise of an incentive stock option. If the shares acquired by exercise of an incentive stock option are held for the longer of two years from the date the option was granted and one year from the date it was exercised, any gain or loss arising from a subsequent disposition of such shares will be treated as long-term capital gain or loss, and neither the Company nor its subsidiaries will be entitled to any deduction. If, however, such shares are disposed of within such one or two year periods, then in the year of such disposition the participant will recognize compensation taxable as ordinary income equal to the excess of (A) the lesser of either (i) the amount realized upon such disposition or (ii) the fair market value of such shares on the date of exercise, over (B) the exercise price, and the Company or one of its subsidiaries will be entitled to a corresponding deduction. The participant will also be subject to capital gain tax on the excess, if any, of the amount realized on such disposition over the fair market value of the shares on the date of exercise.

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PROPOSALS: 5. Approval of the 2017 Performance Incentive Plan

SARs. A participant will not recognize any income upon the grant of SARs. A participant will recognize compensation taxable as ordinary income upon exercise of a SAR in an amount equal to the fair market value of any shares delivered and the amount of cash paid by the Company upon such exercise, and the Company or one of its subsidiaries generally will be entitled to a corresponding deduction.

Restricted Stock. A participant will not recognize any income at the time of the grant of shares of restricted stock (unless the participant makes an election to be taxed at the time of grant), and neither the Company nor its subsidiaries will be entitled to a tax deduction at such time. If the participant elects to be taxed at the time the restricted stock is granted, the participant will recognize compensation taxable as ordinary income at the time of the grant equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. If such election is made, a participant will recognize compensation taxable as ordinary income at the time the forfeiture conditions on the restricted stock lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. The Company or one of its subsidiaries generally will be entitled to a corresponding deduction at the time the ordinary income is recognized by a participant, except to the extent limited by Section 162(m). In addition, a participant receiving dividends with respect to restricted stock for which the above-described election has not been made and prior to the time the forfeiture conditions lapse will recognize compensation taxable as ordinary income, rather than dividend income, in an amount equal to the dividends paid, and the Company or one of its subsidiaries generally will be entitled to a corresponding deduction, except to the extent limited by Section 162(m).

Stock Units. A participant will not recognize any income at the time of the grant of stock units, and neither the Company nor its subsidiaries will be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income at the time the Company common stock is delivered under the stock units in an amount equal to the fair market value of such shares. The Company or one of its subsidiaries generally will be entitled to a corresponding deduction at the time the ordinary income is recognized by a participant, except to the extent the limit of Section 162(m) applies. A participant will recognize compensation taxable as ordinary income when amounts equal to dividend equivalents and any other distributions attributable to stock units are paid, and the Company or one of its subsidiaries generally will be entitled to a corresponding deduction, except to the extent limited by Section 162(m).

Cash Bonus Awards. A participant will not recognize any income upon the grant of a bonus award payable in cash, and neither the Company nor its subsidiaries will be entitled to a tax deduction at such time. At the time such award is paid, the participant will recognize compensation taxable as ordinary income in an amount equal to any cash paid by the Company, and the Company or one of its subsidiaries generally will be entitled to a corresponding deduction, except to the extent limited by Section 162(m).

Section 162(m) of the Internal Revenue Code. In general, Section 162(m) denies a publicly held corporation a federal income tax deduction for compensation in excess of \$1 million per year per person paid to its covered employees, subject to certain exceptions. Performance-based compensation is not subject to the \$1 million deduction limit. To qualify as performance-based compensation: (i) the compensation must be subject to achievement of performance goals established by a committee consisting solely of two or more outside directors, (ii) the material terms under which the compensation is to be paid, including the performance goals, must be approved by a majority of the corporation's stockholders and (iii) the Plan Committee must certify that the applicable performance goals were satisfied before payment of any performance-based compensation is made. The Company reserves the right to pay compensation that is not deductible.

Section 409A. Awards made under the 2017 PIP that are considered to include deferred compensation for purposes of Section 409A of the Code will be interpreted, administered and construed to comply with the requirements of Section 409A to avoid adverse tax consequences to recipients. The Company intends to structure any awards under the 2017 PIP so that the requirements under Section 409A are either satisfied or are not applicable.

The affirmative vote of the holders of a majority of the shares of the Company's common stock present in person or by proxy at the 2017 Annual Meeting and entitled to vote on the proposal is required to approve the 2017 PIP.

The Board of Directors recommends that the stockholders vote FOR the approval of the 2017 Performance Incentive Plan.

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Below are instructions on how to vote, as well as information on your rights as a stockholder as they relate to voting. Some of the instructions vary depending on how your stock is held. It is important to follow the instructions that apply to your situation.

Q: Who can vote?

A: You are entitled to one vote on each proposal for each share of the Company's common stock that you own as of the close of business on the record date, March 31, 2017.

Q: What is the difference between holding shares as a stockholder of record and a street name holder?

A: If your shares are registered directly in your name through Computershare, the Company's transfer agent, you are considered a stockholder of record. If your shares are held in a brokerage account or bank, you are considered a street name holder.

Q: How do I vote if shares are registered in my name (as stockholder of record)?

A: By Mail:

Sign, date and return the enclosed proxy card in the postage paid envelope provided. Your voting instructions must be received by May 17, 2017.

By Telephone or Internet:

Call the toll-free number listed on your proxy card, log on to the website listed on your proxy card or scan the QR code on your proxy card and follow the simple instructions provided.

The telephone and Internet voting procedures are designed to allow you to vote your shares and to confirm that your instructions have been properly recorded consistent with applicable law. Please see your proxy card for specific instructions. Stockholders who wish to vote over the Internet should be aware that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, and that there may be some risk a stockholder's vote might not be properly recorded or counted because of an unanticipated electronic malfunction.

Voting by telephone and the Internet will be closed at 1:00 a.m. Chicago time on the date of the 2017 Annual Meeting.

Q: How do I vote if my shares are held in street name?

A: You should give instructions to your broker on how to vote your shares. If you do not provide voting instructions to your broker, your broker has discretion to vote those shares on matters that are routine. However, a broker cannot vote shares on non-routine matters without your instructions. This is referred to as a broker non-vote.

Proposals 1, 2, 3 and 5 are considered non-routine matters. Accordingly, your broker will not have the discretion to vote shares as to which you have not provided voting instructions with respect to any of these matters.

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Proposal 4, the ratification of the appointment of the independent registered public accounting firm, is considered a routine matter, so there will not be any broker non-votes with respect to that proposal.

Q: Can I vote my shares in person at the Annual Meeting?

A: If you plan to attend the meeting and vote in person, your instructions depend on how your shares are held:

Shares registered in your name check the appropriate box on the enclosed proxy card and bring either the admission ticket attached to the proxy card or evidence of your stock ownership with you to the meeting.

Shares registered in the name of your broker or other nominee ask your broker to provide you with a broker's proxy card in your name (which will allow you to vote your shares in person at the meeting) and bring evidence of your stock ownership from your broker with you to the meeting.

Remember that attendance at the meeting will be limited to stockholders as of the record date with an admission ticket or evidence of their share ownership and guests of the Company.

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QUESTIONS AND ANSWERS ABOUT HOW TO VOTE YOUR PROXY

Q: Can I revoke my proxy or change my vote after I have voted?

A: If your shares are registered in your name, you may revoke your proxy at any time before it is exercised. There are several ways you can do this:

By delivering a written notice of revocation to the Secretary of the Company;

By executing and delivering another proxy that bears a later date;

By voting by telephone at a later time;

By voting over the Internet at a later time; or

By voting in person at the meeting.

If your shares are held in street name, you must contact your broker to revoke your proxy.

Q: How are votes counted?

A: In tallying the results of the voting, the Company will count all properly executed and unrevoked proxies that have been received in time for the 2017 Annual Meeting. To hold a meeting of stockholders, a quorum of the shares (which is a majority of the shares outstanding and entitled to vote) is required to be represented either in person or by proxy at the meeting. Abstentions and broker non-votes are counted in determining whether a quorum is present for the meeting.

Q: What are my options when voting for directors?

A: When voting to elect directors, you have three options:

Vote **FOR** a nominee;

Vote **AGAINST** a nominee; or

ABSTAIN from voting on a nominee.

In the election of directors, each nominee will be elected by the vote of the majority of votes cast. A majority of votes cast means that the number of votes cast **FOR** a nominee's election must exceed the number of shares voted **AGAINST** such nominee. Each nominee receiving a majority of votes cast **FOR** his or her election will be elected. If you elect to **ABSTAIN** with respect to a nominee for director, the abstention will not impact the election of such nominee.

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Election of directors is considered a non-routine matter. Accordingly, broker non-votes will not count as a vote **FOR** or **AGAINST** a nominee's election and will not impact the election of such nominee. In tabulating the voting results for the election of directors, only **FOR** and **AGAINST** votes are counted.

Q: What are my options when voting on the advisory proposal to determine the frequency of the Say-on-Pay advisory vote?

A: When voting on the advisory vote to determine the frequency of the Say-on-Pay vote, you have four options:

- Vote for **ONE YEAR**;
- Vote for **TWO YEARS**;
- Vote for **THREE YEARS**; or
- ABSTAIN** from voting on the proposal.

The option of one year, two years or three years that receives the highest number of votes cast by stockholders will be considered by the Board as the stockholders' recommendation as to the frequency of future Say-on-Pay votes. Abstentions and broker non-votes will have no impact on the outcome of this proposal.

Q: What are my options when voting on any other proposals?

A: When voting on any other proposal, you have three options:

- Vote **FOR** a given proposal;
- Vote **AGAINST** a given proposal; or
- ABSTAIN** from voting on a given proposal.

Each of these matters requires the affirmative vote of a majority of the shares present, or represented by proxy, at the meeting and entitled to vote on the proposal. If you indicate on your proxy card that you wish to **ABSTAIN** from voting on a proposal, your shares will not be voted on that proposal. Abstentions are not counted in determining the number of shares voted **FOR** or **AGAINST** any proposal, but will be counted as present and entitled to vote on the proposal. Accordingly, an abstention will have the effect of a vote against the Proposal.

Broker non-votes are not counted in determining the number of shares voted for or against any proposal and will not be counted as present and entitled to vote on any of proposals 1, 2, 3 and 5.

Q: How will my shares be voted if I sign and return my proxy card with no votes marked?

A: If you sign and return your proxy card with no votes marked, your shares will be voted as follows:

- FOR** the election of all nominees for director identified in this proxy statement;
- FOR** the approval, on an advisory basis, of the compensation of our named executive officers;
- FOR ONE YEAR** for the advisory vote on the frequency of the advisory vote on executive compensation;
- FOR** the ratification of the Company's independent registered public accounting firm; and
- FOR** the approval of the 2017 Performance Incentive Plan.

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QUESTIONS AND ANSWERS ABOUT HOW TO VOTE YOUR PROXY

Q: **How are proxies solicited and what is the cost?**

A: The Company actively solicits proxy participation. In addition to this notice by mail, the Company encourages banks, brokers and other custodian nominees and fiduciaries to supply proxy materials to stockholders, and reimburses them for their expenses. However, the Company does not reimburse its own employees for soliciting proxies. The Company has hired Morrow Sodali, LLC, 470 West Ave., Stamford, CT 06902, to help solicit proxies, and has agreed to pay it \$8,000 plus out-of-pocket expenses for this service. All costs of this solicitation will be borne by the Company.

Q: **How many shares of stock were outstanding on the record date?**

A: As of the record date, there were 70,008,960 shares of common stock outstanding. This does not include 18,989,019 shares held in the Company's treasury. Each outstanding share is entitled to one vote on each proposal.

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THE BOARD'S COMMITTEES AND THEIR FUNCTIONS

The Board has three standing committees. The members of those committees and the committees' responsibilities are described below. Each committee operates under a written charter that is reviewed annually and is posted on the Company's website at the following address: www.rrdonnelley.com. A print copy of each charter is available upon request.

After consummation of the Spinoff on October 1, 2016, the Board revised membership of the board committees. The table below reflects the membership of the committees and their primary responsibilities following these changes.

| | | |
|--------------------------------|---|--|
| Timothy R. McLevish (Chairman) | Assists the Board in its oversight of: | As required by its charter, each member of the Audit Committee is independent of the Company, as such term is defined for purposes of the NYSE listing rules and the federal securities laws. The Board has determined that each of Messrs. Katz, McLevish and Pope is an "audit committee financial expert" as such term is defined under the federal securities laws and the NYSE listing rules. |
| Jeffrey G. Katz | (1) the integrity of the Company's financial statements and the Company's accounting and financial reporting processes, internal controls and financial statement audits, | |
| John C. Pope | (2) the qualifications and independence of the Company's independent registered public accounting firm, and | |
| | (3) the performance of the Company's internal auditing department and the independent registered public accounting firm. | |
| | The committee selects, compensates, evaluates and, when appropriate, replaces the Company's independent registered public accounting firm. Pursuant to its charter, the Audit Committee is authorized to obtain advice and assistance from internal or external legal, accounting or other advisors and to retain third-party consultants, and has the authority to engage independent auditors for special audits, reviews and other procedures. | |

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COMPANY INFORMATION

| | | |
|--|---|---|
| <p>Susan M. Gianinno (Chairman)</p> <p>Jeffrey G. Katz</p> <p>Jamie Moldafsky</p> | <p>Makes recommendations to the Board regarding nominees for election to the Board and recommends policies governing matters affecting the Board</p> | <p>As required by its charter, each member of the Corporate Responsibility & Governance Committee is independent of the Company, as such term is defined for purposes of the NYSE listing rules and the federal securities laws.</p> |
| | <p>Develops and implements governance principles for the Company and the Board</p> | <p>Pursuant to its charter, the Corporate Responsibility & Governance Committee is authorized to obtain advice and assistance from outside advisors and to retain third-party consultants and has the sole authority to approve the terms and conditions under which it engages director search firms.</p> |
| | <p>Conducts the regular review of the performance of the Board, its committees and its members</p> | |
| | <p>Oversees the Company's responsibilities to its employees</p> | |
| | <p>Oversees the Company's responsibilities to the environment</p> | |
| | <p>Reviews and recommends to the Board the compensation of outside directors</p> | |
| <p>P. Cody Phipps (Chairman)</p> <p>Susan M. Gianinno</p> <p>Timothy R. McLevish</p> | <p>Establishes the Company's overall compensation strategy</p> <p>Establishes the compensation of the Company's chief executive officer, other senior officers and key management employees</p> <p>Adopts amendments to, and approves terminations of, the Company's employee benefit plans</p> | <p>As required by its charter, each member of the Human Resources Committee is independent of the Company, as such term is defined for purposes of the NYSE listing rules and the federal securities laws. In addition, in accordance with NYSE listing rules, the Board considered all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director's ability to be independent from management in connection with the duties of a Human Resources Committee member to affirmatively determine each member of the Human Resources Committee is independent.</p> <p>Pursuant to its charter, the Human Resources Committee is authorized to obtain advice and assistance from internal or external legal or other advisors and has the sole authority to engage counsel, experts or consultants in matters related to the compensation of the chief executive officer</p> |

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and other executive officers of the Company (with sole authority to approve any such firm's fees and other retention terms). Pursuant to its charter, prior to selecting or receiving any advice from any committee advisor (other than in-house legal counsel) and on an annual basis thereafter, the HR Committee must assess the independence of such committee advisors in compliance with any applicable NYSE listing rules and the federal securities laws. The HR Committee must also review and approve, in advance, any engagement of any compensation consultant by the Company for any services other than providing advice to the Committee regarding executive officer compensation. The HR Committee engaged Willis Towers Watson in 2016 as its executive compensation consultant to provide objective analysis, advice and recommendations on executive pay in connection with the HR Committee's decision-making process.

In 2016, Willis Towers Watson's fees for executive compensation consulting services were \$338,016. Additionally, Willis Towers Watson provided \$118,241 in unrelated human resources services to the Company. These additional services included international pension consulting and the purchase of compensation surveys.

While Willis Towers Watson provides additional services to the Company (not under the direction of the HR Committee), these services have all been approved by the HR Committee. The HR Committee reviewed the work and services provided by Willis Towers Watson and it has determined that (1) these services were provided on an independent basis and (2) no conflicts of interest exist. Factors considered by the HR Committee in its assessment include:

other services provided to the Company by Willis Towers Watson;

fees paid by the Company as a percentage of Willis Towers Watson's total revenue;

Willis Towers Watson's policies and procedures that are designed to prevent a conflict of interest and maintain independence between the personnel who provide HR services and those who provide other services;

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any business or personal relationships between individual consultants involved in the engagement and HR Committee members;

whether any Company stock is owned by individual consultants involved in the engagement; and

any business or personal relationships between our executive officers and Willis Towers Watson or the individual consultants involved in the engagement.

Willis Towers Watson reported directly to the HR Committee and not to management on executive officer and director compensation matters. The Willis Towers Watson teams that provide health and welfare consulting services to us are separate from the Willis Towers Watson team that provides executive and director compensation consulting services. Management, including the Company's executive officers, develops preliminary recommendations regarding compensation matters with respect to the executive officers, other than the chief executive officer, for HR Committee review. The HR Committee then reviews management's preliminary recommendations and makes final compensation decisions. Willis Towers Watson advised the HR Committee on the compensation levels of the Company's executive officers and provided advice related to proposed compensation.

For 2017, the Chairman of the HR Committee, along with the Board, worked with Willis Tower Watson to develop preliminary recommendations regarding compensation with respect to our chief executive officer. The HR Committee then reviewed these recommendations and made the final compensation decisions with respect to the CEO. All compensation decisions approved by the HR Committee are shared with the Board.

The HR Committee, with the assistance of its consultants, has reviewed and evaluated the Company's executive and employee compensation practices and has concluded, based on this review, that any risks associated with such practices are not likely to have a material adverse effect on the Company. The determination primarily took into account the balance of cash and equity payouts, the balance of annual and long-term incentives, the type of performance metrics used, incentive plan payout leverage, avoidance of uncapped rewards, multi-year vesting for equity awards, use of stock ownership requirements for senior management and the HR Committee's oversight of all executive compensation programs. See *Compensation Discussion and Analysis* beginning on page 24 of this proxy statement for further information regarding executive compensation decisions.

POLICY ON ATTENDANCE AT STOCKHOLDER MEETINGS

Directors are expected to attend in person regularly scheduled meetings of stockholders, except when circumstances prevent such attendance. All of the members of the Board attended the Company's 2016 Annual Meeting in person.

CORPORATE GOVERNANCE

Governance Highlights

The Company has a practice of engaging in dialogue with our stockholders about various corporate governance topics. Insights we have gained from these discussions over the years have been helpful to the Board and its committees as they consider and adopt policies and other governance initiatives. In recent years the Company has undertaken a number of governance initiatives including:

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Expiration of the stockholders rights plan (poison pill)

Elimination of classified board

Adoption of majority voting

Elimination of super majority voting

Amendment of bylaws to allow 10% or greater stockholders to call a special meeting

Adoption of a policy regarding the independence of compensation consultants (which is now a part of the HR Committee charter)

Adoption of a clawback policy

Term limits for Board and Committee Chairs (further description on page 19 of this proxy statement)

Adoption of Political Activities Disclosure Policy

Split leadership Non-executive Chairman and Chief Executive Officer

All independent directors except for the CEO

Board compensation heavily weighted toward equity

Stock ownership guidelines for senior officers and directors

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In addition, after the consummation of the Spinoff, the Board and each Committee reviewed and approved the Principles of Corporate Governance and all Board committee charters.

As described in *Compensation Discussion and Analysis* beginning on page 24 of this proxy statement, during 2016 the Company continued its practice of engaging with stockholders about various corporate governance topics, including executive compensation. The Company takes into account such feedback when reviewing and revising aspects of its governance structure and the executive compensation program.

Principles of Corporate Governance

The Board has adopted a set of *Principles of Corporate Governance* to provide guidelines for the Company and the Board to ensure effective corporate governance. The *Principles of Corporate Governance* cover topics including, but not limited to, director qualification standards, Board and committee composition, director access to management and independent advisors, director orientation and continuing education, director retirement age, succession planning and the annual evaluations of the Board and its committees.

The Corporate Responsibility & Governance Committee is responsible for overseeing and reviewing the *Principles of Corporate Governance* and recommending to the Board any changes to those principles. The full text of the *Principles of Corporate Governance* is available through the Corporate Governance link on the Investors page of the Company's web site at the following address: www.rrdonnelley.com and a print copy is available upon request.

Code of Ethics

The Company maintains its *Principles of Ethical Business Conduct* and the policies referred to therein which are applicable to all directors and employees of the Company. In addition, the Company has adopted a *Code of Ethics* that applies to the chief executive officer and senior financial officers. The *Principles of Ethical Business Conduct* and the *Code of Ethics* cover all areas of professional conduct, including, but not limited to, conflicts of interest, disclosure obligations, insider trading and confidential information, as well as compliance with all laws, rules and regulations applicable to our business. The Company strongly encourages all employees, officers and directors to promptly report any violations of any of the Company's policies. In the event that an amendment to, or a waiver from, a provision of the *Code of Ethics* is necessary, the Company intends to post such information on its website. The full text of each of the *Principles of Ethical Business Conduct* and our *Code of Ethics* is available through the Corporate Governance link on the Investors page of the Company's web site at the following address: www.rrdonnelley.com and a print copy is available upon request.

Independence of Directors

The Company's *Principles of Corporate Governance* provide that the Board must be composed of a majority of independent directors. No director qualifies as independent unless the Board affirmatively determines that the director has no relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has determined that Messrs. Katz, McLevish, Phipps and Pope and Ms. Gianinno and Moldafsky are independent in accordance with NYSE requirements and SEC standards. The Board took into account all relevant facts and circumstances in making this determination. In addition, the Board had previously determined that Messrs. Crandall, Palmer, Riordan and Sockwell and Ms. Hamilton and Ms. Cameron, all of whom retired or resigned from our Board in connection with the Spinoff, were also independent in accordance with NYSE requirements and SEC standards.

Executive Sessions

The Company's non-management directors meet regularly in executive sessions without management. Executive sessions are led by the chairman of the Board. An executive session is held in conjunction with each regularly scheduled Board meeting. Each committee of the Board also meets in executive session without management in conjunction with each regularly scheduled committee meeting and such sessions are led by the committee chair.

Board Leadership

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The Board has determined that having an independent director serve as chairman of the Board is in the best interest of stockholders at this time. The structure ensures a greater role for the independent directors in the oversight of the Company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Board. No single leadership model is right for all companies at all times, however, and the Board recognizes that, depending on the circumstances, other leadership models might be appropriate. Accordingly, the Board periodically reviews its leadership structure. The Board's *Principles of Corporate Governance* provide that, generally, no director may serve as chair of the Board or any committee for more than three years, provided that

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the Corporate Responsibility & Governance Committee may recommend to the Board, and the Board may approve, a single extension of the term of a chair of the Board or any committee for an additional three years once the chair's initial three-year term has ended and the Corporate Responsibility & Governance Committee may recommend to the Board, and the Board may approve, extending the term of the chair of the Board or any committee beyond six years if it deems such an extension to be in the best interest of the stockholders and the Company. In addition, service as a chair of the Board or any committee prior to the 2014 Annual Meeting shall not be considered for purposes of this limitation.

Board and Committee Evaluations

The Board undertakes a three part annual evaluation process that is coordinated by the chair of the Corporate Responsibility & Governance Committee which includes: (1) Board, committee and individual self-evaluation questionnaires; (2) evaluations completed by applicable members of management of the Board and its committees; and (3) interviews of each director conducted by a third-party governance expert. Results of the individual written evaluations are shared with the chair of the Corporate Responsibility & Governance Committee, the chair of the Board and the Chief Executive Officer, after which it is determined whether discussions with any individual director concerning performance are necessary. Results are then shared with the chairs of the applicable committees before being sent to the Board and each committee for their review. The chair of the Corporate Responsibility & Governance Committee discusses the results from the interviews with the third-party expert and summarizes such results and presents them to the Board. Because of the consummation of the Spinoff and the resulting changes to the Board, the Board did not complete its annual evaluation process for 2016. The evaluation will be conducted in 2017.

Board's Role in Risk Oversight

The Board is actively involved in oversight of risks inherent in the operation of the Company's businesses and the implementation of its strategic plan. The Board performs this oversight role by using several different levels of review. In connection with its reviews of the operations of the Company's business units and corporate functions, the Board addresses the primary risks associated with those units and functions. In addition, the Board reviews the key risks associated with the Company's strategic plan annually and regularly throughout the year as part of its consideration of the strategic direction of the Company as well as reviewing the output of the Company's risk management process each year.

The Board has delegated to the Audit Committee oversight of the Company's risk management process. Among its duties, the Audit Committee reviews with management (a) Company policies with respect to risk assessment and management of risks that may be material to the Company, (b) the Company's system of disclosure controls and system of internal controls over financial reporting, and (c) the Company's compliance with legal and regulatory requirements.

Each of the other Board committees also oversees the management of Company risks that fall within such committee's areas of responsibility. In performing this function, each committee has full access to management, as well as the ability to engage advisors, and each committee reports back to the full Board. The Audit Committee oversees risks related to the Company's financial statements, the financial reporting process, other financial matters, certain compliance issues and accounting and legal matters. The Audit Committee, along with the Corporate Responsibility & Governance Committee, is also responsible for reviewing certain major legislative and regulatory developments that could materially impact the Company's contingent liabilities and risks. The Corporate Responsibility & Governance Committee also oversees risks related to the Company's governance structure and processes, related person transactions, certain compliance issues and Board and committee structure to ensure appropriate oversight of risk. The HR Committee considers risks related to the attraction and retention of key management and employees and risks relating to the design of compensation programs and arrangements, as well as developmental and succession planning for possible successors to the position of chief executive officer and planning for other key senior management positions.

Nomination of Directors

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It is the policy of the Corporate Responsibility & Governance Committee to consider candidates for director recommended by stockholders. In order to recommend a candidate, stockholders must submit the individual's name and qualifications in writing to the committee (in care of the Secretary at the Company's principal executive offices at 35 West Wacker Drive, 36th Floor, Chicago, Illinois 60601 and otherwise in accordance with the procedures outlined under *Submitting Stockholder Proposals and Nominations for 2018 Annual Meeting* on page 57 of this proxy statement. The committee evaluates candidates recommended for director by stockholders in the same way that it evaluates any other candidate. The committee also considers candidates recommended by management and members of the Board as well as nominees recommended by stockholders.

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In identifying and evaluating nominees for director, the committee takes into account the applicable requirements for directors under the listing rules of the NYSE. In addition, the committee considers other criteria as it deems appropriate and which may vary over time depending on the Board's needs, including certain core competencies and other criteria such as the personal and professional qualities, experience and education of the nominees, as well as the mix of skills and experience on the Board prior to and after the addition of the nominees. Although not part of any formal policy, the goal of the committee is a balanced and diverse Board, with members whose skills, viewpoint, background and experience complement each other and, together, contribute to the Board's effectiveness as a whole.

The Corporate Responsibility & Governance Committee from time to time has engaged third-party search firms to identify candidates for director, and has used search firms to do preliminary interviews and background and reference reviews of prospective candidates.

Communications with the Board of Directors

The Board has established procedures for stockholders and other interested parties to communicate with the Board. A stockholder or other interested party may contact the Board by writing to the chair of the Corporate Responsibility & Governance Committee or the other non-management members of the Board to their attention at the Company's principal executive offices at 35 West Wacker Drive, 36th Floor, Chicago, Illinois 60601. Any stockholder must include the number of shares of the Company's common stock he or she holds and any interested party must detail his or her relationship with the Company in any communication to the Board. Communications received in writing are distributed to the chair of the Corporate Responsibility & Governance Committee or non-management directors of the Board as a group, as appropriate, unless such communications are considered, in the reasonable judgment of the Company's Secretary, improper for submission to the intended recipient(s). Examples of communications that would be considered improper for submission include, without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to the Company or the Company's business or communications that relate to improper or irrelevant topics.

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Except as noted below, the table below lists the beneficial ownership of common stock as of March 31, 2017 by all directors and nominees, each of the persons named in the tables under *Executive Compensation* below, and the directors and executive officers as a group. The table also lists all institutions and individuals known to hold more than 5% of the Company's common stock, which information has been obtained from filings pursuant to Sections 13(d) and (g) of the Exchange Act. Except as otherwise indicated below, each of the entities or persons named in the table has sole voting and investment power with respect to all common stock beneficially owned set forth opposite their name. Unless otherwise indicated, the percentages shown are based on outstanding shares of common stock as of March 31, 2017. Unless otherwise indicated, the business address of each stockholder listed below is RR Donnelley, 35 West Wacker Drive, 36th Floor, Chicago, Illinois 60601.

BENEFICIAL STOCK OWNERSHIP OF DIRECTORS, EXECUTIVES AND LARGE STOCKHOLDERS

| Name | Shares | Restricted Share Units ⁽¹⁾ | Stock | Total | Total Shares ⁽²⁾ | % of Total Outstanding |
|---|-----------|---------------------------------------|------------------------------------|---|-----------------------------|------------------------|
| | | | Options | Shares | | |
| | | | Exercisable on or Prior to 5/31/17 | (including Director Restricted Share Units) | | |
| Susan M. Gianinno | 8,785 | 17,056 | | 25,841 | 8,785 | * |
| Jeffrey G. Katz | 3,907 | 27,660 | | 31,567 | 3,907 | * |
| Timothy R. McLevish | 16 | 1,861 | | 1,877 | 16 | * |
| Jamie Moldafsky | | 1,861 | | 1,861 | | * |
| P. Cody Phipps | | 1,861 | | 1,861 | | * |
| John C. Pope ⁽³⁾ | 44,997 | 58,420 | | 103,417 | 44,997 | * |
| Thomas M. Carroll | 10,857 | | | 10,857 | 10,857 | * |
| Daniel L. Knotts | 102,142 | | 128,182 | 102,142 | 230,324 | * |
| John P. Pecaric | 4,179 | | | 4,179 | 4,179 | * |
| Terry D. Peterson | | | | | | * |
| Deborah L. Steiner | | | | | | * |
| Suzanne S. Bettman ⁽⁴⁾ | 42,832 | | | 42,832 | 42,832 | * |
| Daniel N. Leib ⁽⁵⁾ | 39,027 | | | 39,027 | 39,027 | * |
| Thomas J. Quinlan III ⁽⁴⁾ | 378,895 | | 856,458 | 378,895 | 1,235,353 | 1.8% |
| All directors and executive officers as a group | 635,637 | 108,719 | 984,640 | 744,353 | 1,620,277 | 2.3% |
| BlackRock Inc. ⁽⁶⁾ | 8,982,725 | | | 8,982,725 | 8,982,725 | 12.9% |
| The Vanguard Group ⁽⁷⁾ | 7,253,155 | | | 7,253,155 | 7,253,155 | 10.4% |

* Less than one percent.

(1) Includes all outside director restricted share units as such restricted share units are payable in shares of common stock or cash, as determined by the Company, upon termination from the Board of Directors. Includes only those executive officer restricted share units that will vest prior to May 31, 2017.

(2) Does not include outside director restricted share units because ownership of the units does not confer any right to ownership of the underlying shares.

(3) Includes 17,997 shares held in trust for Mr. Pope pursuant to a deferred compensation plan.

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- (4) Principal business address is LSC Communications, Inc., 191 North Wacker Drive, Suite 1400, Chicago, Illinois 60606. Reflects beneficial ownership as of the Spin Date which was the executive's last date of employment with the Company.
- (5) Principal business address is Donnelley Financial Solutions, Inc., 35 W. Wacker Drive, 37th Floor, Chicago, Illinois 60601. Reflects beneficial ownership as of the Spin Date which was the executive's last date of employment with the Company.

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STOCK OWNERSHIP

- (6) Represents shares of RR Donnelley's common stock beneficially owned as of December 31, 2016 based on the Schedule 13G/A filed on January 17, 2017 by BlackRock Inc. ("BlackRock"). In such filing, BlackRock lists its principal business address at 55 East 52nd Street, New York, New York 10055 and indicates that it has sole investment authority over all shares and sole voting authority over 8,729,981 shares.
- (7) Represents shares of RR Donnelley's common stock beneficially owned as of December 31, 2016 based on the Schedule 13G/A filed on February 10, 2017 by The Vanguard Group ("Vanguard"). In such filing, Vanguard lists its principal business address as 100 Vanguard Blvd., Malvern Pennsylvania 19355 and indicates that it has sole investment authority over 7,208,587 shares, shared investment authority over 44,568 shares, sole voting authority over 45,412 shares and shared voting authority over 7,188. Beneficial ownership includes 37,380 shares for which Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of Vanguard, is the beneficial owner as a result of serving as investment manager of collective trust accounts. VFTC directs voting of these shares. Beneficial ownership also includes 15,220 shares for which Vanguard Investments Australia, a wholly-owned subsidiary of Vanguard, is the beneficial owner as a result of its serving as investment manager of Australian investment offerings.

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In this Compensation Discussion & Analysis (this CD&A), we will describe the material components of our executive compensation program applicable to our named executive officers (our NEOs). While the discussion in the CD&A is focused on our NEOs, many of our executive compensation programs apply broadly across our executive ranks.

On October 1, 2016 (the Spin Date), we completed our previously announced separation (the Spinoff) of two publicly-traded companies: our publishing and retail-centric print services and office products business, LSC Communications, Inc. (LSC), and our financial communications services business, Donnelley Financial Solutions, Inc. (Donnelley Financial).

As a result of the Spinoff, our NEOs for the fiscal year ended December 31, 2016 were:

Daniel L. Knotts, our President and Chief Executive Officer and member of the Board of Directors²;

Terry D. Peterson, our Executive Vice President and Chief Financial Officer³;

Thomas M. Carroll, our Executive Vice President and Chief Administrative Officer⁴;

John P. Pecaric, our Executive Vice President, Chief Commercial Officer and President of International⁵; and

Deborah L. Steiner, our Executive Vice President and General Counsel⁶.

In addition, SEC's rules require us to include as NEOs for purposes of this proxy statement each individual who served in the capacity of Chief Executive Officer or Chief Financial Officer at any time during the 2016 fiscal year. Prior to the Spinoff, Thomas J. Quinlan III was our President and Chief Executive Officer and Daniel N. Leib was our Chief Financial Officer. In connection with the Spinoff, Mr. Quinlan and Mr. Leib left the Company to join LSC and Donnelley Financial, respectively, and Mr. Knotts became our Chief Executive Officer (CEO) and Mr. Peterson became our Chief Financial Officer (CFO). In addition, the SEC's rules require us to include as an NEO up to two of our former executive officers who would have been among the three most highly compensated executive officers of the Company (other than the CEO and CFO) but for the fact that they were not employed by us as of December 31, 2016. Ms. Bettman falls into this category. Thus, the following individuals who left the Company as of the Spin Date to become part of the management team of either LSC or Donnelley Financial (collectively, our Pre-Spin NEOs) are also NEOs for 2016:

Thomas J. Quinlan III, our former President and Chief Executive Officer;

Daniel N. Leib, our former Executive Vice President and Chief Financial Officer; and

Suzanne S. Bettman, our former Executive Vice President and General Counsel.

For these Pre-Spin NEOs, this CD&A presents information regarding compensation received by them from RR Donnelley from January 1, 2016 through the Spin Date.

COMPENSATION PROGRAM DESIGN

Compensation Philosophy

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Our executive compensation programs are designed to align the interests of our stockholders and executive officers while providing a total compensation package that enables us to attract, retain and motivate our executives. Overall compensation levels are targeted at market survey data medians and, where available, peer group medians, with a range of opportunity to reward strong performance or withhold rewards when objectives are not achieved.

² Prior to the Spin Date, Mr. Knotts served as our Chief Operating Officer.

³ Mr. Peterson joined the Company in September 2016, prior to the Spinoff, with that plan that following the Spin Date, he would be our Chief Financial Officer.

⁴ Prior to the Spin Date, Mr. Carroll served as our Chief Human Resources Officer.

⁵ Prior to the Spin Date, Mr. Pecaric served as our Division President International.

⁶ Prior to the Spin Date, Ms. Steiner served as our Vice President Associate General Counsel, International Platform.

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COMPENSATION DISCUSSION AND ANALYSIS

RR Donnelley's compensation philosophy is guided by five principles:

establish target compensation levels that are competitive within the industries and markets in which we compete for executive talent;

structure compensation so that our executives share in our short- and long-term successes and challenges by varying compensation from target levels based upon business and individual performance;

link pay to performance by making a substantial percentage of total executive compensation variable, or at risk, through annual incentive compensation and long-term incentive awards;

base a substantial portion of each NEO's long-term incentive award on performance measures while maintaining a meaningful portion that vests over time and is therefore focused on the retention of top talent; and

align a significant portion of executive pay with stockholder interests through equity awards and stock ownership requirements.

Compensation Best Practices

Consistent with our compensation philosophy, RR Donnelley has adopted the following compensation best practices:

the HR Committee determined that any future executive officer agreements would not include any gross-up for excise taxes and amended existing executive officer agreements to remove preexisting gross-ups following the Spinoff;

overall compensation levels target market survey data medians and, where available, peer group medians, with a range of opportunity to reward strong performance and withhold rewards when objectives are not achieved;

equity plans do not permit option re-pricing or option grants below fair market value;

no tax gross-ups on any supplemental benefits or perquisites;

policy that prohibits employees, directors and certain of their immediate family members from pledging, short sales, trading in publicly traded options, puts or calls, hedging or similar transactions with respect to our stock;

no payment or accrual of dividends on performance share units (PSUs) or restricted share units (RSUs);

limited perquisites provided to executive officers;

clawback policy covering all executive officers;

the HR Committee hired Willis Towers Watson Human Resources Consulting (Willis Towers Watson) as its executive compensation consultant because of their expertise and years of experience as well as their previous work with the HR Committee on the full scale evaluation of all our executive compensation programs;

meaningful stock ownership requirements for senior management, including executive officers, to further strengthen the alignment of management and stockholder interests; and

annual review of the executive compensation program by the HR Committee to determine how well actual compensation targets and levels met our overall philosophy and targeted objectives in comparison to both market data and, where available, peer group data.

Compensation Overview

RR Donnelley recognized the need for its compensation programs to be appropriately modified to take the Spinoff into account, which was scheduled to be completed during 2016. Guided by the principles noted above, the HR Committee kept the overall construct of our 2016 compensation programs straightforward, with a focus on simplicity and consistency.

The effective and timely execution of the Spinoff was the primary consideration for the HR Committee when designing the 2016 compensation plan. Given the tremendous amount of work that needed to be accomplished in order to split RR Donnelley into three, separate, stand-alone publicly-traded companies, the Board and the HR Committee recognized the need to keep all employees, including, in particular, the NEOs, focused on the execution of the Spinoff, and to ensure retention of key executives throughout the Spinoff. To that end, the HR Committee determined that for 2016:

any compensation changes for NEOs would be managed by their employer after the Spinoff (so by RR Donnelley, Donnelley Financial or LSC) as appropriate, with such employer taking into account each individual's new role and responsibility as well as individual experience level;

the Annual Incentive Plan (AIP) would consist of three key metrics – a 12-month metric in compliance with Section 162(m), a corporate financial metric applicable from the beginning of the year until the Spin Date, and a stub-period corporate financial target applicable from the Spin Date through the end of the fiscal year;

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COMPENSATION DISCUSSION AND ANALYSIS

an additional bonus would be provided to incentivize key employees, including the NEOs (other than our pre-Spin CEO, Mr. Quinlan) to meet certain Spinoff-related targets and execute the Spinoff in the most cost-effective manner (the Spin Cost Reduction Incentive);

since setting three year performance goals for each of RR Donnelley, LSC and Donnelley Financial prior to the Spinoff would not be meaningful, the long-term incentive plan awards would be time vested only to allow focus on goals related to timing and execution of the Spinoff as well as retention of key executives through the Spinoff; and

outstanding equity incentives granted in previous years would be converted into equity in the post-Spinoff entities, as appropriate (as further described under *Treatment of Equity and Cash Awards in Connection with the Spinoff* beginning on page 30 of this proxy statement).

2016 PRE-SPIN COMPENSATION

Pre-Spin Peer Group

In 2015, Willis Towers Watson completed a thorough review of the compensation peer group at the request of the HR Committee. As a result of this analysis, several changes were made to the peer group. The primary focus of this process was to include industrial companies of generally similar or larger size, complexity and scope rather than companies only in our industry, since RR Donnelley was significantly larger than all of its direct competitors and the markets for talent were necessarily broader. The resulting peer group, approved in 2015 and continued without change until the Spin Date, is comprised of the following 26 companies:

| | | |
|--|------------------------------|-----------------------------------|
| Automatic Data Processing, Inc. | Adobe Systems Incorporated | Air Products & Chemicals Inc. |
| Ashland Inc. | Avery Dennison Corporation | Ball Corporation |
| CH Robinson Worldwide Inc. | Crown Holdings Inc. | Danaher Corp. |
| Fidelity National Information Services, Inc. | Genuine Parts Company | Graphic Packaging Holding Company |
| Huntsman Corporation | International Paper Company | Owens-Illinois, Inc. |
| Packaging Corporation of America | Parker-Hannifin Corporation | Pitney Bowes Inc. |
| PPG Industries, Inc. | Praxair Inc. | Quad/Graphics, Inc. |
| Sealed Air Corporation | The Sherwin-Williams Company | WestRock Company |
| WPP plc | Xerox Corporation | |

Pre-Spin Compensation Package

Consistent with prior years, 2016 pre-Spin compensation for the NEOs was comprised of three major components base salary, annual incentive compensation and long-term incentive compensation. In addition, the NEOs were eligible to participate in benefit programs generally available to other executives within the Company and other benefits provided to certain executives as further described under *Benefit Programs* beginning on page 31 of this proxy statement.

In general, compensation levels for the NEOs were targeted at the 50th percentile of peer group data, when available for a position, and market survey data from the Willis Towers Watson 2016 CDB General Industry Executive Compensation Survey Report and Mercer’s 2016 US MDB: Executive Compensation Survey. This 50th percentile target level provided a total competitive guideline for our executive compensation program. Actual compensation levels varied up or down from targeted levels based on company performance, individual performance and

individual experience levels.

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The table below sets out the elements of the compensation program for the NEOs.

| Component | Description/Rationale | Determining Factors |
|--------------------------|--|--|
| Base Salary | Compensate for roles and responsibilities | Level of responsibility |
| | Stable compensation element | Individual role, responsibilities, experience and performance |
| | Intended to be the smallest component of the overall compensation package for NEOs, assuming that RR Donnelley was achieving or exceeding targeted performance levels for its incentive programs | Skills and future potential |
| Annual Incentive Plan | Annual cash bonus plan | Median of market and peer group data Corporate financial targets are set by the HR Committee at the start of the year |
| | Target amount of bonus is determined as a percentage of the individual's base salary | Individual performance goals are set by each NEO in conjunction with his or her manager |
| | Rewards achievement against specific, pre-set annual threshold, corporate financial and individual performance goals | |
| Long-Term Incentive Plan | Awards subject to a payout which ranges from 0% to 150% of target, with no payout for performance below 90% of the corporate financial target | |
| | Awards may be modified downward by achievement levels on individual performance goals Links awards to RR Donnelley's performance to increase alignment with stockholders | Level of responsibility |
| | | Individual skills, experience and performance |

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Key component to attract and retain executive officers

Median of peer group and market survey data

Time vested awards granted in 2016 as a result of the Spinoff

Annual value intended to be a substantial component of overall compensation package for each NEO

Other Benefits

Basic benefits including medical, 401(k), a frozen pension plan and other broad-based plans

Benefits determined by level of the employee in the organization

Limited supplemental benefits including supplemental retirement, insurance and deferred compensation

Minimal perquisites with no tax gross-ups

Base Salary

The HR Committee provided no base salary increases to any NEOs for the first nine months of 2016.

Annual Incentive Plan

The threshold and corporate financial targets under the AIP for 2016 were set by the HR Committee at the beginning of the year following the presentation of the annual operating budget to the Board.

Given that the Spinoff would be effectuated mid-year, the HR Committee approved three performance metrics under the AIP:

- i. a 12-month threshold metric which was not pro-rated to reflect the Spinoff;
- ii. a corporate financial target that was pro-rated to the Spin Date based on seasonality as determined by the HR Committee; and
- iii. a post-Spin stub period financial metric that would measure performance from the Spin Date through the end of the fiscal year with metrics to be set post-Spin under a stub period incentive plan (as further described under *Annual Incentive Plan Stub Period Incentive Plan* beginning on page 33 of this proxy statement).

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

The table below sets forth a description of these targets, as well as the individual performance goals under the AIP.

| Target | Metric | Treatment in the Spinoff and Payout |
|-------------------------------------|--|--|
| Threshold Target | \$7 billion in consolidated RRD revenue for 2016 | HR Committee determined attainment as of December 31, 2016 |
| | Calculated as pre-Spin consolidated RRD net sales for the nine months ended September 30, 2016 plus post-Spin net sales for the three months ended December 31, 2016 | Target was attained |
| Pre-Spin Corporate Financial Target | Non-GAAP reported EBITDA of \$867.6 million results in a payout at target | HR Committee determined attainment as of the Spin Date |
| | Defined as net earnings attributable to RRD common stockholders adjusted for income attributable to non-controlling interests, income taxes, interest expense, investment and other income, depreciation and amortization, restructurings and impairments, acquisition-related expenses and certain other charges or credits | Pre-Spin attainment of \$823.0 million Non-GAAP reported EBITDA Resulted in a payout of 10.4% |
| Post-Spin Stub Plan Metrics | Q4 unallocated operating EBITDA (target equal to the October EBITDA forecast for Q4) | HR Committee determined attainment as either met or not met as of December 31, 2016 |
| | Implementation of cost reduction initiatives totaling \$4.5 million in Q4 2016 | Q4 unallocated operating EBITDA target was not met The cost reduction initiatives goal was attained |
| Individual Performance Goals | Vary by individual and vary year to year, depending upon key business objectives and areas of emphasis for each individual | Resulted in a payout of 10.4% Awards may be modified downwards (down to 0%) if individual performance goals were not attained. |

Goals for 2016 NEOs included achieving corporate EBITDA and working capital targets and, for certain NEOs, achieving functional budget targets

In 2016, the individual performance goals for each NEO were met with the exceptions of Mr. Leib and Mr. Pecaric and, as a result, their respective AIP awards were reduced accordingly

The HR Committee has the discretionary authority to increase or decrease the amount of the AIP award of employees not designated as covered employees under Section 162(m) if the HR Committee determined, prior to the end of the plan year, that an adjustment was appropriate to better reflect the actual performance of the Company and/or the participant. The HR Committee could not increase the amount of the award payable to a person who was a covered employee to an amount in excess of the amount earned under our 2012 Performance Incentive Plan.

The HR Committee had discretionary authority to decrease the amount of any AIP award otherwise payable at any time for any person designated as an executive officer for purposes of Section 16 of the Exchange Act (Section 16 Officers), including after the end of the plan year. Additionally, the HR Committee had discretionary authority to reduce the amount of the award otherwise payable if it determined that any participant had engaged in misconduct.

For 2016, the Company achieved its Threshold Target. With respect to the Pre-Spin Corporate Financial Target, non-GAAP reported EBITDA was less than \$867.6 million.

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

2016 pre-Spin AIP targets as a percentage of base salary at year end and corresponding payouts were as follows for each of our NEOs:

| Name | Pre-Spin | | |
|--------------------------------------|------------|---------------------|-----------------|
| | AIP Target | Pre-Spin AIP Target | Pre-Spin Payout |
| | (%) | (\$) | (\$) |
| Daniel L. Knotts | 150% | 1,068,750 | \$ 111,150 |
| Terry D. Peterson ⁽¹⁾ | 80% | | |
| Thomas M. Carroll | 150% | 506,250 | \$ 52,650 |
| John P. Pecaric | 100% | 356,250 | \$ 36,309 |
| Deborah L. Steiner | 35% | 91,875 | \$ 9,555 |
| Thomas J. Quinlan III ⁽²⁾ | 150% | 1,350,000 | \$ 162,000 |
| Daniel N. Leib ⁽³⁾ | 150% | 787,500 | \$ 94,241 |
| Suzanne S. Bettman ⁽²⁾ | 150% | 607,500 | \$ 72,900 |

- (1) Mr. Peterson joined the Company in September 2016 at which time his AIP target was set at a level commensurate with the post-Spin Company. As such, Mr. Peterson's entire AIP for 2016 is reflected in the post-Spin AIP payment on page 33.
- (2) The LSC Human Resources Committee of the LSC Board of Directors determined and certified the pre-Spin AIP payouts for Mr. Quinlan and Ms. Bettman, based upon the metrics described above.
- (3) The Donnelley Financial Compensation Committee of the Donnelley Financial Board of Directors determined and certified the pre-Spin AIP payout for Mr. Leib, based upon the metrics described above.

Spin Cost Reduction Incentive

In early 2016, to maintain focus on the work to be done for the Spinoff, as well as a focus on effecting the Spinoff in the most cost-effective manner, the HR Committee implemented the Spin Cost Reduction Incentive under the AIP, which granted a cash award to each of the then-current NEOs other than Mr. Quinlan, in an amount equal to 1x the recipient's salary to be paid in March 2017 if the total costs incurred by RR Donnelley in connection with the Spinoff (excluding debt and financing costs) were equal to or less than \$169.0 million. The HR Committee determined this threshold after reviewing comparable transactions and their costs. After the Spinoff, the HR Committee reviewed such costs and certified that the total Spin-related costs (excluding debt and financing costs) were less than the \$169.0 million target, so that such Spin Cost Reduction Incentive cash awards became payable to Mr. Knotts, Mr. Leib and Ms. Bettman. The table below shows the Spin Cost Reduction Incentives paid to each of our NEOs.

| Name* | Spin Cost Reduction Incentive Payout |
|--------------------|--------------------------------------|
| Daniel L. Knotts | \$ 725,000 |
| Daniel N. Leib | \$ 600,000 |
| Suzanne S. Bettman | \$ 500,000 |

* Mr. Quinlan did not receive a Spin Cost Reduction Incentive.

Spin Bonus

Additionally, in early 2016, spin bonus opportunities were also awarded to certain executives of the Company, including three executives who became NEOs post-Spin (Messrs. Pecaric and Carroll and Ms. Steiner). These spin bonus opportunities were awarded commensurate with their duties and responsibilities at the beginning of the year, in order to retain and incent executives whose work was critical to enable the successful execution of the Spinoff and were not tied to a performance metric. The bonuses were paid at the completion of the Spinoff, provided the executive was still employed by RR Donnelley, LSC or Donnelley Financial after the Spinoff.

| Name | Spin Bonus Payout |
|--------------------|-------------------|
| John P. Pecaric | \$ 125,000 |
| Thomas M. Carroll | \$ 750,000 |
| Deborah L. Steiner | \$ 83,073 |

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS*****Long-Term Incentive Program***

Our stockholder approved incentive plans allow the HR Committee to grant PSUs, RSUs, stock options and cash awards to any eligible employee. While certain of our longer-tenured NEOs, including Mr. Knotts, have outstanding stock options, no stock options have been granted since 2012.

With respect to 2016 compensation decisions, the HR Committee had a series of discussions regarding the most appropriate way to motivate and retain its executives while still maintaining a continued focus on producing strong operating results and effectively executing the Spinoff. While the RR Donnelley long-term incentive program had historically consisted of both PSUs and RSUs, the HR Committee determined that given the Spinoff, setting three year performance-related targets for all three companies would not be meaningful. Therefore, RSUs that cliff vest after three years in the Company where the officer is employed post-Spin were granted to each of Messrs. Knotts, Quinlan and Leib and Ms. Bettman at a level consistent with grants in prior years as part of overall compensation targeted at the 50th percentile of peer group data, when available for a position, and by market survey data. The RSUs do not accrue dividends on unvested units.

In addition, the stockholder approved incentive plans permit delegation of the HR Committee's authority to grant equity to employees other than the NEOs in certain circumstances. The HR Committee delegated such authority to the CEO over a small pool of equity and cash awards to key employees who were not executive officers of the Company.

Treatment of Equity and Cash Awards in Connection with the Spinoff

In connection with the Spinoff, outstanding equity and cash awards were treated as follows:

| Grant Year | Award Type | Vest Period | Treatment in the Spinoff |
|------------|----------------|-----------------|--|
| 2007-2008 | Stock Options | Fully vested | Remained as RRD stock options |
| 2009-2012 | Stock Options | Fully vested | Converted to stock options in all three spin companies (basket approach) at agreed upon exchange rate |
| 2013 | Cash LTI | 25% per year | Award will pay at vesting from company where employee lands (future employer approach) |
| | Cash Retention | March 2, 2017 | Amended award agreements to allow unvested award to be paid in full upon termination without cause; award will pay at vesting using future employer approach |
| 2014 | RSUs | 25% per year | Any tranches left to vest will vest in stock of all three companies at agreed upon exchange rate |
| | Cash LTI | 25% per year | Award will pay at vesting using future employer approach |
| | Cash Retention | January 1, 2017 | Award agreements amended to allow unvested award to be paid in full upon termination without cause; award will pay at vesting using future employer approach |
| | RSUs | 25% per year | Any tranches left to vest will vest using the basket approach, at agreed upon exchange rate |
| 2015 | PSUs | Q1 2017 | Truncated and measured performance as of the Spin Date; post-Spin will time vest using basket approach at agreed upon exchange rate |
| | Cash LTI | March 2, 2018 | Award will pay using future employer approach |
| | RSUs | March 2, 2018 | Vests using future employer approach |
| | PSUs | Q1 2018 | Truncated and measured performance as of the Spin Date; post-Spin will time vest using future employer approach |
| 2016 | Cash LTI | March 2, 2019 | Award will pay using future employer approach |
| | RSUs | March 2, 2019 | Vests using future employer approach |

The exercise price and number of shares subject to each option were adjusted pursuant to the formula proscribed by the Separation and Distribution Agreement by and among the Company, LSC and Donnelley Financial, dated as of September 14, 2016 (the Separation Agreement) in order to preserve the aggregate intrinsic value (that is, the difference between the exercise price of the option and the market price of the shares for which the option may be exercised) of the converted options immediately after the Spinoff to be the same as the intrinsic value of the RR Donnelley options immediately prior to the Spinoff.

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All PSU and RSU awards were converted into RSU awards over RR Donnelley, LSC and Donnelley Financial common stock, as applicable, pursuant to a formula prescribed by the Separation Agreement in order to preserve the aggregate intrinsic value of the original award, as measured immediately before and immediately after the Spinoff.

All equity and cash awards remain subject to the same terms and conditions (including with respect to vesting) immediately following the Spin Date as applicable to the corresponding RR Donnelley award immediately prior to the Spin Date, except that awards that were originally RR Donnelley PSU awards remained subject to only time-based vesting for the remainder of the applicable performance period following the Spin Date.

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Following the Spin Date, the HR Committee determined the achievement level of the performance conditions on the PSUs. The achievement level for PSU awards granted in 2014 was 96% of the performance target, which equated to a 90% payout level. The achievement level for PSU awards granted in 2015 was 82.1% of the performance target and, with an organic revenue growth modifier applied, equated to a 54.1% payout level.

Pre-Spin Compensation for Messrs. Peterson, Carroll and Pecaric and Ms. Steiner

Messrs. Peterson, Carroll and Pecaric and Ms. Steiner were not executive officers of the Company prior to the Spinoff. Following the Spinoff, all four became executive officers of the Company.

Mr. Peterson

Mr. Peterson joined the Company in September 2016, shortly before the Spin Date, with the plan being that, following the Spin Date, he would serve as our Executive Vice President and Chief Financial Officer. Mr. Peterson's base salary, annual incentive compensation and benefits were all determined by the HR Committee and were set commensurate with the expectation of him assuming the role of Chief Financial Officer of the Company post-Spin. Mr. Peterson received a cash award of \$900,000 paid in January 2017. In addition, Mr. Peterson received \$300,000 of RSUs vesting in October 2017, \$500,000 of RSUs vesting in October 2018 and \$500,000 of RSUs vesting in October 2019. The actual number of RSUs granted was determined using the volume weighted average price of the Company's common stock on the first ten trading days following the Spin Date. Mr. Peterson also received relocation assistance consistent with the Company's relocation policy.

Mr. Carroll, Mr. Pecaric and Ms. Steiner

The pre-Spin compensation of each of Messrs. Carroll and Pecaric and Ms. Steiner was comprised of base salary, annual incentive compensation, long-term incentive compensation and benefits. Decisions regarding each of their respective pre-Spin compensation were made by their respective managers. Their base salaries were reviewed annually with regard to the performance, responsibilities and salary levels for similar positions within the Company. Each of Messrs. Carroll and Pecaric and Ms. Steiner worked with his or her respective manager to develop individual performance goals under the AIP and the same threshold and corporate financial targets described above were applicable to each of them.

Prior to the Spin Date, Mr. Pecaric and Mr. Carroll received long term incentive compensation in the form of RSUs and PSUs. Prior to the Spin Date, Messrs. Pecaric and Carroll received 15,871 RSUs and 21,398 RSUs, respectively (each as adjusted to reflect the Reverse Split). Prior to the Spin Date, Ms. Steiner received long-term incentive compensation in the form of cash awards. In 2016, she received a cash award in the amount of \$40,000, which vests in full on March 2, 2019, subject to continued employment.

Benefit Programs

RR Donnelley's benefit programs were established based upon an assessment of competitive market factors and a determination of what was needed to retain high-caliber executives. Our primary benefits for executives included participation in broad-based plans at the same benefit levels as other employees. These plans included: retirement plans, savings plans, health and dental plans and various insurance plans, including disability and life insurance.

In addition, certain executives, including certain of our NEOs, are provided with the following benefits:

Supplemental Retirement Plan: A supplemental retirement plan is offered to eligible executives described under *Pension Benefits* beginning on page 41 of this proxy statement. This supplemental retirement plan no longer provides benefit accruals because the underlying pension plan to which it relates was frozen December 31, 2011. Prior to that, the supplement retirement plan took into account compensation above limits imposed by the tax laws and was similar to programs found at many of the companies with which we competed with for talent. This benefit was available to all highly paid executives within RR Donnelley, including our NEOs. As of December 31, 2016, approximately 523

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(active and inactive) employees are covered by this plan.

Pension Plan: Because RR Donnelley froze its Qualified Retirement Plans (pension plan) as of December 31, 2011, generally no additional benefits will accrue under such plans or the related supplemental retirement plan.

Supplemental Insurance: Additional life and disability insurance is provided to enhance the value of our overall compensation program. The premium cost for these additional benefits is included as taxable income for the NEOs and there is no tax gross-up on this benefit.

Deferred Compensation Plan: The opportunity to defer receiving income and therefore defer taxation on that income, until either a number of years chosen by the executive or termination of employment with RR Donnelley.

Financial Counseling: Reimbursement of expenses for financial counseling to provide executives with access to an independent financial advisor of their choice. The cost of these services, if utilized, was included as taxable income for the NEO and there was no tax gross-up on this benefit.

Automobile Program: A monthly automobile allowance which provided eligible executives with an opportunity to use their car for both business and personal use in an efficient manner. This allowance was included as taxable income to the NEO and there was no tax gross-up on this benefit.

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COMPENSATION DISCUSSION AND ANALYSIS

Airplane: Pre-Spin, RRD had a fractional ownership interest in a private plane. In 2016, any personal use of the plane was de minimis, as described under *Summary Compensation Table* beginning on page 36 of this proxy statement. As of the Spin Date, RR Donnelley no longer owns an interest in the private plane, nor does the Company make a private plane available to its executives for their personal use.

2016 POST-SPIN COMPENSATION

Post-Spin Peer Group

In connection with the Spinoff, the HR Committee directed Willis Towers Watson to again review the Company's compensation peer group. As a result of this analysis, several changes were made to the peer group to: (i) better reflect the primary industries in which we operate and compete for talent and (ii) the size of RR Donnelley post-Spin. The resultant peer group consists of the following 22 companies:

| | | |
|--|--|----------------------------|
| Alliance Data Systems Corporation | Automatic Data Processing, Inc. | Avery Dennison Corporation |
| Bemis Company, Inc. | CH Robinson Worldwide Inc. | Essendant, Inc. |
| Expeditors International of Washington, Inc. | Fidelity National Information Services, Inc. | First Data Corporation |
| Fiserv, Inc. | Graphic Packaging Holding Company | Hub Group Inc. |
| News Corporation | Packaging Corporation of America | Pitney Bowes Inc. |
| Quad/Graphics, Inc. | Sealed Air Corporation | Sonoco Products Co. |
| The Interpublic Group of Companies, Inc. | Thomson Reuters Corporation | WestRock Company |
| XPO Logistics, Inc. | | |

Post-Spin Compensation Package

Following the Spinoff, the HR Committee, with the assistance of Willis Towers Watson, reviewed the compensation programs of RR Donnelley and reaffirmed the compensation philosophy and guidelines noted above. In addition, the HR Committee determined that the mix of compensation appropriately aligns the interests of our executives with the interests of our stockholders. While the vast majority of the elements of our compensation programs remained unchanged after the completion of the Spinoff, the consummation of the Spinoff in the middle of the year necessitated certain changes to our compensations programs. Those changes are outlined below.

In addition, as a result of the Spinoff, we entered into new employment agreements with our NEOs. While many of the elements of our employment agreements remained unchanged, the HR Committee made the determination to modify certain key provisions, including, where applicable, the removal of the gross-up payable to an NEO in the event an excise tax is triggered under section 280G of the Internal Revenue Code. The HR Committee amended the employment agreements of Messrs. Knotts and Carroll to provide that, if an excise tax is triggered, their change in control payments will be reduced below the threshold triggering the excise tax if the net, after-tax benefit to the NEO is higher.

The compensation program for our NEOs, including our post-Spin NEOs, is primarily focused on incentive compensation. In addition, the heaviest weighting is on long-term incentive compensation. The mix of fixed versus variable compensation at target for our post-Spin NEOs is as follows.

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Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS*****Base Salary***

Following the Spinoff, the HR Committee approved increases to the salaries of certain NEOs who remained after the Spinoff to reflect their promotions and bring such NEOs into the desired competitive positioning for his or her new role, as set forth in the compensation philosophy. As a result, Mr. Knotts' salary was increased to \$950,000; Mr. Pecaric's salary was increased to \$475,000; and Ms. Steiner's salary was increased to \$350,000. There were no changes to the base salaries of Messrs. Peterson and Carroll.

Annual Incentive Plan Stub-Period Incentive Plan

As described above, given that the Spinoff was effectuated at the end of the third quarter of 2016, the HR Committee approved a stub period incentive plan covering performance during the fourth fiscal quarter of 2016. The plan included the two corporate financial targets noted below with each of the goals carrying a 50% weighting. If the threshold for either target was met, that target paid at 100%. If the threshold for either target was not met, then no payout was made for that target. If neither target was met, no bonus was paid under the stub period incentive plan. In addition, the plan references a 12-month metric, as described earlier in this CD&A, in compliance with Section 162(m).

The two corporate financial targets for the Stub Period were: (1) achieving unallocated operating EBITDA of \$192.8 million in the fourth quarter and (2) implementation of cost reduction initiatives totaling \$4.5 million in Q4. The HR Committee determined that the EBITDA target was not met and that the cost reduction target was met.

The post-Spin AIP percentages and actual post-Spin AIP payouts, based on the performance described above are shown in the table below.

| Name | Post-Spin | | |
|--------------------|------------|-------------------------|------------------|
| | AIP Target | Post-Spin AIP at Target | Post-Spin Payout |
| | (%) | (\$) | (\$) |
| Daniel L. Knotts | 125% | 296,875 | \$30,875 |
| Terry D. Peterson | 80% | 128,480 | \$13,362 |
| Thomas M. Carroll | 80% | 90,000 | \$ 9,360 |
| John P. Pecaric | 80% | 95,000 | \$ 9,682 |
| Deborah L. Steiner | 80% | 70,000 | \$ 7,280 |

Following the Spinoff, the HR Committee, with input from Willis Towers Watson, also approved changes to the target cash bonus percentages under the AIP for NEOs who remained after the Spinoff to bring such NEOs into the desired competitive positioning as set forth in the compensation philosophy. Thus, the AIP target percentages above represent a decrease from the bonus percentages applicable to each of the respective positions for our NEOs pre-Spin. For example, our pre-Spin CEO (Mr. Quinlan) had a target AIP bonus percentage of 150%, while our current CEO post-Spin (Mr. Knotts) has a target AIP bonus percentage of 125%.

Long-Term Incentive Program

The Board recognized that some of the executive officers who became NEOs after the Spinoff had limited holdings of RR Donnelley stock as a result of a variety of factors, including the change in 2013 to our long-term incentive program to provide for cash only awards for employees below the EVP/President level. In order to align the interests of our NEOs with the interests of our stockholders, provide immediate incentive for long-term retention, and allow participants to share in the post-Spin gains in the value of RR Donnelley, the Board approved a special one-time grant of RSUs to each of Messrs. Knotts, Peterson, Pecaric and Carroll and Ms. Steiner.

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These awards, in the form of restricted share units, were granted on the Spin Date and will vest in equally installments on the first three anniversaries of the grant date, subject to the grantee's continued employment with the Company.

| Post-Spin Grant | |
|----------------------------------|-------------|
| Name | (# of RSUs) |
| Daniel L. Knotts | 108,947 |
| Terry D. Peterson ⁽¹⁾ | 59,634 |
| Thomas M. Carroll | 20,642 |
| John P. Pecaric | 21,789 |
| Deborah L. Steiner | 16,055 |

(1) Mr. Peterson's RSUs vest as follows: 13,762 RSUs on October 1, 2017, 22,936 of RSUs on October 1, 2018 and 22,936 of RSUs on October 1, 2019.

CERTAIN OTHER POLICIES APPLICABLE PRE-SPIN AND POST-SPIN**Operation of the Human Resources Committee**

The HR Committee established and monitors RR Donnelley's overall compensation strategy to ensure that executive compensation supported the business objectives and specifically established the compensation of the CEO, other senior officers and key management employees. The HR Committee did not administer the employee benefit plans, nor did it have direct jurisdiction over them, but it reviewed the employee benefit plans so as to have a better understanding of the Company's overall compensation structure. In carrying out its responsibilities, the HR Committee, with assistance from its compensation consultant, Willis Towers Watson, reviewed and determined the compensation (including salary, annual incentive, long-term incentives and other benefits) of our executive officers, including the NEOs. Management, including our executive officers, developed preliminary recommendations regarding compensation matters with respect to the executive officers other than the CEO for HR Committee review. The HR Committee then reviewed management's preliminary recommendations and made final compensation decisions.

Role of the Compensation Consultant

Compensation of executive officers was overseen by the HR Committee, which engaged Willis Towers Watson as its executive compensation consultant to provide objective analysis, advice and recommendations on executive officer compensation and related matters in connection with the HR Committee's decision-making process. In addition, and related to the Spinoff, the HR Committee considered the many compensation program changes and transitions that needed to occur as a result of creating three independent public companies and requested that Willis Towers Watson conduct a special review of decisions that were made over the course of 2016 with regard to the Spinoff. Willis Towers Watson regularly attended HR Committee meetings, and reported directly to the HR Committee, not to management, on matters relating to compensation for the executive officers and for directors.

Willis Towers Watson provided additional services to RR Donnelley pre-Spin not under the direction of the HR Committee, which services were pre-approved by the HR Committee. The HR Committee reviewed the work and services provided by Willis Towers Watson and it determined that (a) such services were provided on an independent basis and (b) no conflicts of interest exist. Factors considered by the HR Committee in its assessment include:

1. other services provided to the Company by Willis Towers Watson;
2. fees paid by the Company as a percentage of Willis Towers Watson's total revenue;
3. Willis Towers Watson's policies and procedures that are designed to prevent a conflict of interest and maintain independence between the personnel who provide HR services and those who provide these other services;
4. any business or personal relationships between individual consultants involved in the engagement and HR Committee members;
5. whether any stock of RR Donnelley is owned by individual consultants involved in the engagement; and
6. any business or personal relationships between the Company's executive officers and Willis Towers Watson or the individual consultants involved in the engagement.

Role of Management

Management, including the CEO and other executive officers, developed preliminary recommendations regarding compensation matters with respect to all executive officers other than the CEO, and provided these recommendations to the HR Committee. The HR Committee then reviewed management's preliminary recommendations and made final compensation decisions, with advice from Willis Towers Watson, as appropriate. The management team was responsible for the administration of the compensation programs once the HR Committee's decisions were finalized.

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COMPENSATION DISCUSSION AND ANALYSIS

Risk Assessment

In 2016, the HR Committee, with the assistance of Willis Towers Watson, reviewed and evaluated our executive and employee compensation practices and concluded, based on this review, that any risks associated with such practices are not likely to have a material adverse effect on the Company. The determination primarily took into account the balance of cash and equity payouts, the balance of annual and long-term incentives, the type of performance metrics used, incentive plan payout leverage, possibility that the plan designs could be structured in ways that might encourage gamesmanship, avoidance of uncapped rewards, multi-year vesting for equity awards, use of stock ownership requirements for senior management and the HR Committee's oversight of all executive compensation programs.

Tax Deductibility Policy

The HR Committee considered the deductibility of compensation for federal income tax purposes in the design of our programs. While we generally seek to maintain the deductibility of the incentive compensation paid to its executive officers, the HR Committee retains the flexibility necessary to provide cash and equity compensation in line with competitive practices, its guiding principles, and the best interests of our stockholders even if these amounts are not fully tax deductible.

The AIP threshold target was based on consolidated revenue and established a multiplier for each NEO (for the President/CEO and COO, 5x base salary; and for the other NEOs, 3x base salary) for tax deductibility purposes under Section 162(m) of the Internal Revenue Code. These award pools were the absolute maximum limitations on the dollar value of awards earned. The HR Committee then exercised negative discretion to reduce the amount of the pre-Spin AIP award for each NEO and determined the actual annual cash incentive payouts, guided by its consideration of our performance criteria outlined for the pre-Spin and post-Spin compensation packages.

Stockholder Outreach

During 2016, we continued our practice of engaging with stockholders about various corporate governance topics including executive compensation. Meetings were held with significant institutional investors to, among other things, gather additional feedback on RR Donnelley's compensation programs. Based on such meetings and meetings held in prior years, we made changes to our compensation programs.

RR Donnelley received a 95.32% vote in support of its executive compensation program in the 2016 Say-on-Pay advisory vote. We believe the pre-Spin compensation decisions and the overall executive compensation program were tailored to our business strategies, aligned pay with performance, and took the feedback received from investors into account.

Stock Ownership Guidelines

The HR Committee has established stock ownership guidelines for all NEOs and certain other executives. These guidelines are designed to encourage the Company's executives to have a meaningful equity ownership in RR Donnelley, and thereby link their interests with those of our stockholders. These stock ownership guidelines provide that within three years of hire or promotion, all executive officers of the Company, other than our CEO, must own and retain Company capital stock having a fair market value of 3x their salary and that our CEO must own and retain Company capital stock having a fair market value of 5x his salary. In the event an executive does not achieve or make progress toward the required stock ownership level, the HR Committee has the discretion to take appropriate action. As of March 31, 2017, all of the post-Spin NEOs had met or exceeded or have made appropriate progress toward their ownership guidelines.

Human Resources Committee Report

The HR Committee of the Board of Directors of R.R. Donnelley & Sons Company, on behalf of the Board, establishes and monitors the Company's overall compensation strategy to ensure that executive compensation supports the business objectives. In fulfilling its oversight responsibilities, the HR Committee reviewed and discussed with management the Compensation Discussion & Analysis set forth in this proxy statement.

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In reliance on the review and discussions referred to above, the HR Committee recommended to the Board that the Compensation Discussion & Analysis be incorporated in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and the Company's proxy statement to be filed in connection with the Company's 2017 Annual Meeting of Stockholders.

The HR Committee of R.R. Donnelley & Sons Company

P. Cody Phipps, Chairman

Susan M. Gianinno

Timothy R. McLevish

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The Summary Compensation Table provides compensation information about our principal executive officer, principal financial officer, and the three most highly compensated executive officers other than the principal executive officer and principal financial officer as of December 31, 2016. In addition, information is provided below about our former principal executive officer, former principal financial officer and former general counsel, each of whom left the Company as of the Spin Date but are required to be included in this proxy statement pursuant to SEC rules (as discussed in the CD&A section beginning on page 24).

2016 SUMMARY COMPENSATION TABLE

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) ⁽¹⁾ | Awards (\$) ⁽²⁾ | Option Awards (\$) | Non-Equity Incentive Plan Compensation (\$) ⁽³⁾ | Change in | All Other Compensation (\$) ⁽⁵⁾⁽⁶⁾⁽⁷⁾ | Total (\$) |
|--|------|-------------|---------------------------|----------------------------|--------------------|--|---|--|------------|
| | | | | | | | Pension Value and Nonqualified Deferred Compensation Earnings | | |
| Daniel L. Knotts President and Chief Executive Officer | 2016 | 781,250 | 1,125,000 | 4,354,484 | | 142,025 | 36,291 | 32,747 | 6,471,797 |
| | 2015 | 725,000 | 700,000 | 2,235,630 | | 205,538 | | 25,043 | 3,891,211 |
| Terry D. Peterson Executive Vice President and Chief Financial Officer | 2016 | 168,750 | | 1,345,939 | | 13,362 | 223,247 | 25,018 | 1,540,669 |
| Thomas M. Carroll III Executive Vice President and Chief Administrative Officer | 2016 | 450,000 | 916,667 | 913,212 | | 62,010 | 12,093 | 36,554 | 2,390,536 |
| John P. Pecaric Executive Vice President, Chief Commercial Officer and President International | 2016 | 396,250 | 250,000 | 823,567 | | 45,991 | | 267,542 | 1,783,350 |
| Deborah L. Steiner Executive Vice President and General Counsel | 2016 | 265,513 | 124,740 | 362,361 | | 16,835 | | | 769,449 |
| Thomas J. Quinlan III ⁽⁷⁾ Former President and Chief Executive Officer | 2016 | 900,000 | | 6,444,766 | | 162,000 | 152,703 | 19,654 | 7,679,123 |
| | 2015 | 1,183,333 | | 6,420,138 | | 340,200 | | 31,844 | 7,975,515 |
| | 2014 | 1,000,000 | | 5,990,400 | | 1,050,000 | 205,986 | 31,585 | 8,277,971 |
| Daniel N. Leib ⁽⁷⁾ Former Executive Vice President and Chief Financial Officer | 2016 | 450,000 | 900,000 | 1,421,694 | | 81,000 | 43,177 | 18,533 | 2,914,404 |
| | 2015 | 600,000 | 300,000 | 1,420,042 | | 170,100 | | 25,327 | 2,515,469 |
| | 2014 | 600,000 | 100,000 | 1,331,200 | | 630,000 | 57,691 | 21,974 | 2,740,865 |
| Suzanne S. Bettman ⁽⁷⁾ Former Executive Vice President and General Counsel | 2016 | 375,000 | 725,000 | 900,312 | | 72,900 | 75,748 | 27,462 | 2,176,422 |
| | 2015 | 458,333 | 225,000 | 921,488 | | 141,750 | | 35,502 | 1,782,073 |
| | 2014 | 450,000 | 50,000 | 865,280 | | 472,500 | 104,044 | 34,883 | 1,976,707 |

(1) The amounts shown in this column for 2016 and 2015 constitute long-term incentive compensation paid as cash awards (the "Cash Awards") granted under the Company's 2012 Performance Incentive Plan (the "2012 PIP") in 2013 and 2014 of which one-fourth and one-third, respectively, vested on the anniversary of each of the grant dates. The 2016 amounts also include spin cost reduction bonuses in the amount of \$725,000, \$600,000 and \$500,000 for each of

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Mr. Knotts, Mr. Leib and Ms. Bettman, respectively, and spin bonuses in the amount of \$125,000, \$750,000 and \$83,073, for each of Mr. Pecaric, Mr. Carroll and Ms. Steiner, respectively.

- (2) The amounts shown in this column constitute the aggregate grant date fair value of RSUs granted during the fiscal year under the 2012 PIP. In addition, for 2016, the amounts shown include a one-time grant of RSUs granted on October 1, 2016. The amounts are valued in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation - Stock Compensation* (which we refer to as ASC Topic 718). See Note 18 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for a discussion of the relevant assumptions used in calculating the fair value pursuant to ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.
- (3) The amounts shown in this column include payments made under our AIP, which is a subplan of the 2012 PIP. At the outset of each year, the HR Committee sets performance criteria that are used to determine whether and to what extent the NEOs will receive payments under the AIP. See *Compensation Discussion and Analysis* beginning on page 24 of this proxy statement for further information on the 2016 payments.

Table of Contents**EXECUTIVE COMPENSATION**

- (4) The amounts shown in this column include the aggregate of the increase, if any, in actuarial values of each of the named executive officer's benefits under our Pension Plans and Supplemental Pension Plans. Each of our NEOs had a decrease in actuarial value in 2015 in the following amounts: Mr. Quinlan, \$35,573; Ms. Bettman, \$22,439; Mr. Knotts, \$64,271; and Mr. Leib, \$13,064. Mr. Pecaric had a decrease in actuarial value in 2016 in the amount of \$3,119.
- (5) Mr. Quinlan's amount for 2015 includes interest of \$8,214 (calculated at the prime interest rate) that was contributed by the Company in 2015 to Mr. Quinlan's related 401(k) Supplemental Executive Retirement Plan-B account.
- (6) Amounts in this column include the value of the following perquisites provided to the NEOs in 2016: (a) an amount for automobile allowance which is the amount actually paid to each NEO; (b) personal tax/financial advice which is valued at actual amounts paid to each provider of such advice; (c) the premium paid by the Company for group term life insurance and supplemental disability insurance; and (d) imputed income from Company provided life insurance. In addition, prior to the Spin Date, the Company owned a fractional interest in an airplane. NEOs are required to reimburse the Company for the incremental cost to the Company of personal use of our aircraft calculated based on the average variable operating costs of operating the aircraft, including fuel costs and landing fees, trip-related repairs and maintenance, catering and other miscellaneous variable costs. In 2016, there was no personal use of the airplane by any NEO. Mr. Knotts is also able to use certain country clubs at which the Company has a business purpose membership for his personal use but to the extent that there is an incremental cost to the Company, Mr. Knotts reimburses the Company for such personal use. Mr. Knotts also received a vacation premium in the amount of \$6,971 which was available to all employees whose service exceeds 30 years. Mr. Peterson received relocation expenses in the amount of \$7,083. Mr. Pecaric received the following additional benefits: relocation expenses in the amount of \$10,000 and \$252,998 related to compensation adjustments related to his status as an expat for part of 2016. These adjustments included compensation of \$85,015 for host housing and utilities, \$21,583 related to a cost-of-living adjustment as well as \$146,400 tax equalization paid as part of our long term assignment policy. The Company does not provide tax-gross ups on any of these benefits.

The table below provides further detail regarding the perquisites paid to our NEOs in 2016.

| Named Executive Officer | Corporate | Personal Tax/Financial Advice | Supplemental Life Insurance Premium | Supplemental Disability Insurance Premium | Imputed Income from Company Provided Life Insurance |
|-------------------------|----------------------|-------------------------------|-------------------------------------|---|---|
| | Automobile Allowance | | | | |
| | (\$) | (\$) | (\$) | (\$) | (\$) |
| Daniel L. Knotts | 16,800 | 1,475 | 2,050 | 4,718 | 733 |
| Terry D. Peterson | 4,900 | 600 | | | 35 |
| Thomas M. Carroll | 16,800 | 1,117 | 10,650 | 7,284 | 703 |
| John P. Pecaric | 4,200 | | | | 344 |
| Deborah L. Steiner | 4,200 | | | | 345 |
| Thomas J. Quinlan III | 12,600 | | 2,290 | 4,540 | 224 |
| Daniel N. Leib | 12,600 | 1,725 | | 3,599 | 609 |
| Suzanne S. Bettman | 12,600 | 8,641 | 1,690 | 4,368 | 164 |

- (7) Messrs. Quinlan and Leib and Ms. Bettman resigned from their positions with us in connection with the Spinoff and continued employment with LSC or Donnelley Financial. Therefore, the 2016 information reflects earnings and awards from January 1, 2016 through September 30, 2016.

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EXECUTIVE COMPENSATION

2016 GRANTS OF PLAN-BASED AWARDS

Given that the Spinoff would be effectuated near the fourth quarter of 2016, at the beginning of 2016 the HR Committee approved three performance metrics under the AIP: (a) a 12-month threshold metric (in compliance with Section 162(m) of the Internal Revenue Code) which was not pro-rated to reflect the Spinoff; (b) a corporate financial target that was pro-rated to the Spin Date based on seasonality as determined by the HR Committee; and (c) a post-Spin stub-plan that would establish metrics to measure performance from the Spin Date through the end of the fiscal year.

The following table shows additional information regarding: (i) the threshold, target and maximum level of annual cash incentive awards for our NEOs for performance during 2016 under our AIP; and (ii) restricted share units granted in February 2016 that were awarded to help retain the NEOs throughout the Spinoff and focus their attention on building stockholder value.

GRANTS OF PLAN-BASED AWARDS TABLE

| Name | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾ | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | All Other Stock Awards: Number of Shares of Stocks or Units (#) ⁽²⁾⁽³⁾ | Grant Date Fair Value of Stock and Option Awards ⁽⁴⁾ |
|-----------------------|------------|--|-------------|--------------|---|-------------|---|---|
| | | Threshold (\$) | Target (\$) | Maximum (\$) | Threshold (#) | Maximum (#) | | |
| Daniel L. Knotts | 2/29/2016 | 136,563 | 1,365,625 | 2,048,438 | | | 147,170 | 1,895,550 |
| | 10/1/2016 | | | | | | 108,947 | 2,458,934 |
| Terry D. Peterson | 10/01/2016 | 12,848 | 128,480 | 192,720 | | | 59,634 | 1,345,939 |
| | 2/29/2016 | 59,625 | 596,250 | 894,375 | | | 34,730 | 447,322 |
| John P. Pecaric | 10/01/2016 | 45,125 | 451,250 | 676,875 | | | 20,642 | 465,890 |
| | 2/29/2016 | | | | | | 25,760 | 331,789 |
| Deborah L. Steiner | 10/01/2016 | 16,188 | 161,875 | 242,813 | | | 21,789 | 491,778 |
| | 10/01/2016 | | | | | | 16,055 | 362,361 |
| Thomas J. Quinlan III | 2/29/2016 | 135,000 | 1,350,000 | 2,025,000 | | | 500,370 | 6,444,766 |
| | 2/29/2016 | 78,750 | 787,500 | 1,181,250 | | | 110,380 | 1,421,694 |
| Suzanne S. Bettman | 2/29/2016 | 60,750 | 607,500 | 911,250 | | | | |
| | 2/29/2016 | | | | | | 69,900 | 900,312 |

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- (1) In each case, the amount actually earned by each NEO is reported as Non-Equity Incentive Plan Compensation in the *2016 Summary Compensation Table*. See *Compensation Discussion and Analysis* beginning on page 24 of this proxy statement for further information on these payments.
- (2) Consists of restricted share units awarded under the 2012 PIP. The awards granted on February 29, 2016 vest in full on the third anniversary of the grant date. The awards granted on October 1, 2016 vest ratably over three years on the anniversary of the grant date, except for Mr. Peterson's grant, which will vest as follows: 13,762 of RSUs on October 1, 2017, 22,936 of RSUs on October 1, 2018 and 22,936 of RSUs on October 1, 2019. The RSUs have no dividend or voting rights and are payable in shares of common stock of the Company upon vesting. If employment terminates by reason of death or disability, the unvested portion of the RSUs shall become fully vested. If employment terminates other than for death or disability, the unvested portion of the RSUs will be forfeited. NEO employment agreements provide for accelerated vesting of equity awards under certain circumstances. See *Potential Payments Upon Termination or Change in Control* beginning on page 44 of this proxy statement.
- (3) Represents the number of RSUs following the equity award conversions at the time of the Spinoff. On October 1, 2016, in connection with the Spinoff and the 1-for-3 reverse split of its common stock conducted by the Company, the awards granted on February 29, 2016 were converted and adjusted into the following numbers of RSUs over Company common stock: for Mr. Knotts, 90,675; for Mr. Carroll, 21,398; and for Mr. Pecaric, 15,871. Mr. Quinlan and Ms. Bettman received 251,876 and 35,186, respectively, RSUs over the common stock of LSC Communications, Inc.; and Mr. Leib received 65,494 RSUs over the common stock of Donnelley Financial Solutions, Inc.
- (4) Grant date fair value with respect to the RSUs is determined in accordance with ASC Topic 718. See Note 18 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for a discussion of the relevant assumptions used in calculating grant date fair value pursuant to ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.

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EXECUTIVE COMPENSATION

NARRATIVE TO SUMMARY COMPENSATION TABLE AND GRANTS OF PLAN-BASED AWARDS TABLE**Employment Agreements**

During their term as an NEO, each of the NEOs was employed (or continues to be employed) pursuant to an employment agreement with the Company. Each employment agreement sets forth, among other things, the NEO's base salary, bonus opportunities, entitlement to participate in our benefit plans, equity awards and provisions with respect to certain payments and other benefits upon termination of employment under certain circumstances (such as without cause or leaving employment for good reason, as defined in the agreements) or, in certain agreements, after a change in control of the Company. Please see *Potential Payments Upon Termination or Change in Control* beginning on page 44 of this proxy statement for a description of such provisions.

The base salary set forth in each of Messrs. Knotts, Peterson, Carroll and Pecaric's employment agreement is \$950,000, \$550,000, \$450,000 and \$475,000, respectively. The base salary set forth in Ms. Steiner's employment agreement is \$350,000. Prior to the Spinoff and while NEOs of the Company, the minimum base salary set forth in each of Mr. Quinlan, Ms. Bettman and Mr. Leib's employment agreements was \$1,000,000, \$400,000 and \$500,000, respectively.

The employment agreements also set forth each NEO's target bonus as a percentage of such NEO's base salary. The target bonus for each NEO is 80%, except for Mr. Knotts, whose target bonus is 125%. Prior to the Spin and the Pre-Spin NEOs' departures from the Company, the target bonus as a percentage of such pre-Spin NEO's base salary was 150% for each of Mr. Quinlan, Ms. Bettman and Mr. Leib.

The employment agreements of the NEOs provide that such NEO will be entitled to participate in the Company's compensation and benefit programs that are available to all management employees.

SALARY AND BONUS IN PROPORTION TO TOTAL COMPENSATION

Assuming target performance with respect to long-term incentive awards, Mr. Knotts received approximately 17% and Mr. Peterson received approximately 12% of his total compensation in the form of base salary and cash incentive awards under the AIP, while Ms. Steiner, Mr. Pecaric and Mr. Carroll received approximately 44%, 35% and 36% of his or her total compensation in the form of base salary and cash incentive awards under the AIP.

With respect to our former NEOs, during their employment with us, Mr. Quinlan, Mr. Leib and Ms. Bettman received approximately 14%, 27% and 33%, respectively, of each of their total compensation in the form of base salary and cash incentive awards under the AIP.

As noted in *Compensation Discussion and Analysis* beginning on page 24 of this proxy statement, we believe that a substantial portion of each NEO's compensation should be in the form of equity awards. Our HR Committee believes that our current compensation program gives our NEOs a substantial alignment with stockholders, while also permitting the Committee to incentivize the NEOs to pursue specific short and long-term performance goals. Please see the *Compensation Discussion and Analysis* section of this proxy statement for a description of the objectives of our compensation program and overall compensation philosophy.

Table of Contents**EXECUTIVE COMPENSATION****OUTSTANDING EQUITY AWARDS AT 2016 FISCAL YEAR-END**

The following table shows certain information about unexercised options and unvested stock awards at December 31, 2016. All amounts below have been adjusted to give effect to the 1 for 3 reverse stock split that was effective October 1, 2016.

| Name | OPTION AWARDS | | | | STOCK AWARDS | | | |
|-----------------------|--|---|----------------------------|------------------------|--|--|--|--|
| | Number of Securities Underlying Unexercised Options (#) Exercisable ⁽¹⁾ | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) ⁽²⁾ | Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽³⁾⁽⁴⁾ | Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) |
| Daniel L. Knotts | 14,500 | | 21.48 | 3/1/2022 | | | | |
| | 36,666 | | 32.29 | 2/25/2020 | | | | |
| | 77,016 | | 52.05 | 2/28/2018 | | | | |
| | 49,290 | | 58.79 | 3/20/2017 | | | | |
| | | | | | 302,042 | 4,929,325 | | |
| Terry D. Peterson | | | | | 59,634 | 973,227 | | |
| Thomas M. Carroll | | | | | 64,069 | 1,045,606 | | |
| John P. Pecaric | | | | | 47,510 | 775,363 | | |
| Deborah L. Steiner | | | | | 16,055 | 262,018 | | |
| Thomas J. Quinlan III | 118,666 | | 21.48 | 3/1/2022 | | | | |
| | 66,666 | | 30.23 | 2/27/2021 | | | | |
| | 100,000 | | 32.29 | 2/25/2020 | | | | |
| | 316,666 | | 11.51 | 3/1/2019 | | | | |
| | 254,460 | | 52.05 | 2/28/2018 | | | | |
| | 160,193 | | 58.79 | 3/20/2017 | | | | |
| | | | | | 109,000 | 1,778,880 | | |
| Daniel N. Leib | | | | | 27,416 | 447,429 | | |
| Suzanne S. Bettman | | | | | 18,382 | 299,994 | | |

Note: Multiple awards have been aggregated where the expiration date and the exercise price of the instruments are identical.

(1) In connection with the Spinoff, certain option awards held by Messrs. Knotts and Quinlan were converted and adjusted into options to purchase the common stock of each of the Company, LSC and Donnelley Financial, as applicable. The table above shows only options to purchase shares of RR Donnelley. The tables below show, with respect to each of Messrs. Knotts and Quinlan, the options to purchase shares of LSC and Donnelley Financial (for the purpose of the below tables, DFS) that resulted from the conversion.

Knotts

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| Grant Date | Original Grant | | Converted RRD Options | | Converted LSC Options | | Converted DFS Options | |
|------------|----------------|----------------|-----------------------|----------------|-----------------------|----------------|-----------------------|----------------|
| | # of Options | Exercise Price | # of Options | Exercise Price | # of Options | Exercise Price | # of Options | Exercise Price |
| 2/25/2010 | 110,000 | \$19.89 | 36,666 | \$32.29 | 13,750 | \$39.52 | 13,750 | \$33.53 |
| 3/1/2012 | 58,000 | \$13.23 | 14,500 | \$21.48 | 5,437 | \$26.29 | 5,437 | \$22.30 |