

ATLAS AIR WORLDWIDE HOLDINGS INC  
Form DEF 14A  
April 19, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

**ATLAS AIR WORLDWIDE HOLDINGS, INC.**

(Name of Registrant As Specified In Its Charter)

**N/A**

(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:

Edgar Filing: ATLAS AIR WORLDWIDE HOLDINGS INC - Form DEF 14A

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

## **LETTER TO OUR SHAREHOLDERS FROM THE BOARD OF DIRECTORS**

Dear Shareholders,

We are pleased to invite you to attend the Annual Meeting of Shareholders on Wednesday, May 23, 2018. Our meeting will be held at 9:00 a.m., local time, at the Belmond Charleston Place Hotel, located at 205 Meeting Street, Charleston, South Carolina 29401.

As your Board, we welcome this opportunity to communicate with you. In stewarding your Company, we seek to achieve long-term, sustainable performance and create value through the right business strategies, prudent risk management, effective corporate governance practices, environmental and social initiatives, effective executive compensation programs, and well-functioning talent and succession planning. We would like to highlight a few areas of particular significance for the Board this past year:

### **A Year of Exciting Growth**

2017 was a year of exciting growth for Atlas Air Worldwide. We delivered record volumes, record revenue, and robust earnings growth, and we expect that to continue in 2018. Our performance in 2017 and our outlook for higher volumes, revenue and earnings in 2018 reflect the strategic initiatives that we have put in place over many years initiatives that have transformed our company, broadened our customer base, and diversified our fleet.

We are capitalizing on our strong market position and our focus on express, e-commerce and fast-growing global markets. We are operating in a strong airfreight environment, underpinned by global economic growth. And with the building blocks we have in place, we see opportunities to grow with existing customers and new ones.

Our vision is to be our customers' most trusted partner. And we are committed to driving value for our shareholders.

### **2017 Financial and Operating Performance**

Our financial and operating performance in 2017 reflected the leadership and strength of our ACMI and Charter businesses, the growth of our annuity-like Dry Leasing operations, and ongoing efficiency and productivity initiatives.

Volumes increased 20% to 252,802 block hours in 2017, with revenue growing 17% to \$2.16 billion and total direct contribution by our business segments increasing 15% to \$422.6 million.

On a reported basis, income from continuing operations, net of taxes, increased more than five-fold to \$224.3 million, or \$8.68 per diluted share, primarily due to a \$130.0 million benefit related to the revaluation of our deferred tax liabilities as a result of the U.S. Tax Cuts and Jobs Act.

On an adjusted basis, income from continuing operations, net of taxes\*, grew 17% to \$133.7 million, or \$4.93 per diluted share in 2017, with EBITDA, as adjusted\*, rising 12% to \$428.6 million.

\*

Adjusted income from continuing operations, net of taxes, Adjusted net income, Adjusted Diluted EPS, and EBITDA, as adjusted, are non-GAAP measures. A reconciliation to the most directly comparable GAAP measures is contained in Exhibit A attached hereto.

In addition to our focus on express, e-commerce and growing global markets, both reported and adjusted results in 2017 benefited from our first full year of contribution from Southern Air, a highly complementary business combination that has expanded our platform into 777 and 737 operations, and our service for Amazon, which was accretive for the full year and which we expect to become meaningfully more accretive to our earnings and cash flows over time.

### **A Stronger Company**

Atlas Air Worldwide is a stronger company today, well-positioned to capitalize on market dynamics and to deliver significant growth in 2018 in our volumes, revenue, EBITDA, as adjusted, and adjusted net income.

As we move ahead, we will continue to build upon the innovations, successes and growth that are our hallmarks.

With the strength of our brand and our global market leadership in outsourced aircraft and services, the integration of Southern Air, our long-term agreements with Amazon, and our outstanding employees, we are eager to drive value and benefits for our customers and to grow revenue and earnings for our shareholders.

### **Shareholder Outreach and Say-on-Pay Responsiveness**

In 2017, we further enhanced our already robust shareholder engagement practices in response to last year's Say-on-Pay result. We actively reached out to holders representing approximately 75% of our outstanding shares to better understand their perspectives and consider their ideas to further improve our corporate governance practices, sustainability, executive compensation programs, business strategy and performance, capital allocation strategy and public disclosures. A member of our Compensation Committee participated in a number of engagement meetings, and a number of extra meetings and discussions were held by our Compensation Committee to ensure timely and meaningful responsiveness to feedback as well as our recent Say-on-Pay outcomes. This specifically targeted engagement was done in parallel with our ongoing investor relations outreach.

At the Board level, we continue to take shareholder viewpoints under careful consideration when reviewing and refining our programs, communications, and disclosures.

In alignment with specific shareholder feedback, we have adopted some very significant and impactful changes to our executive pay programs that became effective in 2018, including amending our CEO's long-term incentives to contain a strict double-trigger provision, adding a relative Total Shareholder Return element to all performance long-term incentive ( LTI ) awards, enhanced disclosure regarding LTI goal setting, adjustments to our peer group to reflect appropriate comparators to our evolving global business and increasing CEO stock ownership guidelines from 5x to 6x base salary, further aligning our CEO and shareholder interests.

### **Board Composition and Refreshment**

Over the past two years, we have continued our commitment to best-in-class corporate governance practices, with a particular focus on maintaining the right balance of skills, experience, and diversity on our Board.

As a result of our regular evaluation of the composition of the Board and focus on refreshment, we are pleased to report that we have nominated two new independent Directors for election at the 2018 Annual Meeting: Jane H. Lute, who brings to the Board extensive cybersecurity experience, and Sheila A. Stamps, who has an extensive background in banking and finance. Two of our long-standing Directors will not stand for re-election. Since 2016, we have added five new Directors, constituting one-half of the Board. Each of these individuals brings complementary perspectives and experiences that further align the Board's skills and expertise with the Company's long-term business strategy.

We have also refreshed our Board and Committee leadership roles. In 2017, we appointed a new Chairman of our Board and Chair of the Nominating and Governance Committee and refreshed the composition of each of our committees. In recent years, we also appointed new Chairs of the Audit Committee and Compensation Committee.

As demonstrated by the many actions we have taken to enhance the Board, the Board is vigilant when it comes to ensuring it has strong leadership and membership in place to promote shareholder interests and continued alignment with corporate governance and compensation best practices.

**Continued Alignment of Strategy, Performance and Executive Compensation**

Our strong 2017 financial and operating results are a reflection of our leadership in international aviation outsourcing. During 2017, key accomplishments included significant progress toward the integration of Southern Air, significant progress on our initiative to provide air transport services for leading e-commerce retailer Amazon, expanded relationships with existing customers, including DHL Express and FedEx, and the establishment of new relationships with new customers, including Asiana Cargo, Cathay Pacific Cargo, DHL Global Forwarding, and Nippon Cargo Airlines. Our long-term strategy is to move more deeply into express, e-commerce and fast-growing global markets. Driving our execution of this strategy are an experienced, dedicated team of employees focused on our customers expectations; a modern, superior fleet tailored to meet our customers unique needs; a broad array of value-added, global operating services; and a solid financial structure.

Our 2017 executive compensation programs were thoughtfully structured to align with our long term strategy and drive our operational performance and deliver strong financial results. Shareholder feedback has been and will continue to be influential in shaping our governance and executive compensation practices.

**Focus on Environmental, Social and Governance Issues**

We are dedicated to serving our customers and the communities in which we operate. Fulfilling this commitment dictates that we build a vibrant, innovative organization that satisfies our customers needs and delivers value to our shareholders. Effectively addressing environmental, social and governance issues is a key part of building a premier organization. Doing so means maintaining sound business practices and long-term, sustainable strategies that are designed to (1) minimize the impact of our business on the environment and partner us with our customers and other stakeholders to ensure a clean, low-carbon future (such as our FuelWise program and planned participation in CORSIA), (2) prioritize our shareholders while actively ensuring the needs of our other stakeholders are appropriately addressed for example, earning trust and support by maintaining the highest level of legal and ethical conduct by our employees, maintaining practices and policies that create a diverse and respectful environment for our globally situated employees and reward them for their hard work, ingenuity and creativity, and (3) actively involve our company and its employees in our local and global community through programs ranging from volunteering at local socioeconomically disadvantaged schools to providing varied and extensive aid relief during disasters and times of need. Please see the section titled Environmental, Social and Governance Issues for a discussion of the various ways in which we address these matters, which we view as an important part of our business.

We look forward to our continued dialogue with you and welcome your feedback as we execute our strategy and focus on sustainable, long-term value creation. Please feel free to share your thoughts or concerns with us. Communications may be addressed to the Board in care of the Office of the Secretary, Atlas Air Worldwide Holdings, Inc., 2000 Westchester Avenue, Purchase, NY 10577, or e-mailed to [corporate.secretary@atlasair.com](mailto:corporate.secretary@atlasair.com).

We value your input and thank you for your investment and ongoing support.

Robert F. Agnew, Chairman

Timothy J. Bernlohr

Charles F. Bolden, Jr.

William J. Flynn

James S. Gilmore III

Bobby J. Griffin

Carol B. Hallett

Frederick McCorkle

Duncan J. McNabb

John K. Wulff



**Notice of 2018**

**Annual Meeting of Shareholders**

**To be held on May 23, 2018**

We will hold the 2018 Annual Meeting of Shareholders of Atlas Air Worldwide Holdings, Inc., a Delaware corporation, on Wednesday, May 23, 2018, at 9:00 a.m., local time, at the Belmond Charleston Place Hotel, 205 Meeting Street, Charleston, South Carolina, for the following purposes:

1. To elect a Board of Directors to serve until the 2019 Annual Meeting of Shareholders or until their successors are elected and qualified;
2. To ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2018;
3. To hold an advisory vote to approve the compensation of the Company's Named Executive Officers;
4. To consider and vote on a proposal to approve our 2018 Incentive Plan; and
5. To transact such other business, if any, as may properly come before the meeting and any adjournments thereof. The foregoing matters are described in more detail in the Proxy Statement that is attached to this notice.

Only shareholders of record at the close of business on April 2, 2018, which date has been fixed as the record date for notice of the Annual Meeting of Shareholders, are entitled to receive this notice and to vote at the meeting and any adjournments thereof.

**YOUR VOTE IS VERY IMPORTANT. WE HOPE YOU WILL ATTEND THIS ANNUAL MEETING OF SHAREHOLDERS IN PERSON. WHETHER OR NOT YOU ATTEND IN PERSON, PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD. RETURN THE PROXY CARD IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. IF YOU ATTEND THE ANNUAL MEETING OF SHAREHOLDERS, YOU MAY VOTE IN PERSON EVEN IF YOU HAVE RETURNED A PROXY CARD. IF YOU HAVE RECEIVED MORE THAN ONE PROXY CARD, IT IS AN INDICATION THAT YOUR SHARES ARE REGISTERED IN MORE THAN ONE ACCOUNT. PLEASE COMPLETE, DATE, SIGN AND RETURN EACH PROXY CARD YOU RECEIVE.**

By Order of the Board of Directors

ADAM R. KOKAS

Executive Vice President, General Counsel and  
Secretary

April 19, 2018

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 23, 2018**

**This Proxy Statement and the AAWW 2017 Annual Report are available for  
downloading, viewing and printing at <http://www.ezodproxy.com/atlasair/2018>.**

## **PROXY SUMMARY**

### **PROXY SUMMARY**

#### **2017 Performance Highlights**

##### *Overview of Business*

We are a leading global provider of outsourced aircraft and aviation services. We operate the world's largest fleet of 747 freighters and provide customers a broad array of 747, 777, 767, 757 and 737 aircraft for domestic, regional and international cargo and passenger operations. Our fleet totaled 103 aircraft at year-end 2017, including 13 we added pursuant to growth initiatives in 2017.

We provide unique value to our customers by giving them access to a wide range of modern, efficient aircraft, combined with outsourced aircraft operating services that we believe lead the industry in terms of quality and global scale. We operated 48,983 flights serving 422 destinations in 103 countries in 2017, reflecting our far-reaching global scale and scope.

Our customers include express delivery providers, e-commerce retailers, airlines, freight forwarders, the U.S. military, and charter brokers. We provide global services with operations in Africa, Asia, Australia, Europe, the Middle East, North America, and South America.

##### *2017 Performance Highlights and Key Accomplishments*

We delivered record volumes, record revenue, and robust earnings growth in 2017, reflecting our growth initiatives and our focus on express, e-commerce and fast-growing global markets.

##### *Strategic Initiatives*

We achieved significant progress during 2017 toward our integration of Southern Air, a highly complementary 2016 business combination that has expanded our platform into 777 and 737 operations; provided our customers with access to a broader array of aircraft and operating services; and generated new avenues of business growth.

We recorded significant progress on our initiative to provide air transport services for leading e-commerce retailer Amazon. We placed and began operating 11 new 767-300 freighters for Amazon during 2017, raising the number to 12 at year-end. That was in line with our expectations when we commenced this new service in 2016 and with our expectation for a total of 20 aircraft by the end of 2018.



**PROXY SUMMARY**

Also in 2017, we completed agreements to operate 747 freighters for several new customers, including Asiana Cargo, Cathay Pacific Cargo, DHL Global Forwarding, and Nippon Cargo Airlines.

*Growth/Results*

Our financial and operating performance in 2017 reflected the leadership and strength of our ACMI and Charter businesses, the growth and annuity-like contribution of our Dry Leasing operations, ongoing efficiency and productivity initiatives, and a disciplined balance sheet focus.

In addition to our focus on express, e-commerce and growing global markets, our results in 2017 benefited from the first full year of contribution from Southern Air and our service for Amazon, which was accretive for the full year and which we expect to become meaningfully more accretive to our earnings and cash flows over time.

We see tremendous opportunity for continued growth in these markets fueled by an expanding global middle class with higher levels of disposable income. Further globalization will require expansive and time-definite air networks to facilitate the international flow of goods.

Along with expanding our operating platforms and our fleet from 90 to 103 aircraft during 2017, we continued to maintain a safe, compliant operation while retaining the same lean management structure.

We continue to execute on strategic initiatives to strengthen and diversify our business mix, expand our customer base, generate cost savings through operating efficiencies, and enhance our portfolio of assets and services. Our actions have positioned us to capitalize on market opportunities.

**Strong Performance in 2017**

<b>Integration of Southern Air</b>	<b>Initial Amazon Accretion</b>	<b>Key New Customer Agreements</b>	<b>Reported/Adjusted EPS<sup>1</sup></b>
<b>(Five 777 and Five 737 Freighters)</b>	<b>(12 of 20 767-300Fs)</b>	<b>(Multiple 747 Placements)</b>	<b>\$8.68/\$4.93</b>

**Expanded Operating  
Platforms and Results**

**Business, Earnings and  
Cash Flow Growth**

**Focused on Fast-  
Growing Global  
Markets**

**Growth Initiatives,  
Express/E-commerce**

**Alignment**

*Disciplined and Balanced Capital Allocation Strategy*

We are committed to creating, enhancing and delivering value to our shareholders. Our commitment reflects a disciplined and balanced capital allocation strategy that has focused on maintaining a strong balance sheet, investing in modern, efficient assets and returning capital to shareholders.

*2017 Capital Allocation Actions:*

Expanded fleet from 90 to 103 aircraft

Issued \$289 million of convertible senior notes

Secured \$286 million of financing for thirteen 767-300 aircraft (including one spare) for Amazon dry lease and CMI agreements

Paid \$207 million of debt principal

<sup>1</sup> *Adjusted Diluted EPS from continuing operations, net of taxes is a non-GAAP measure. A reconciliation to the most directly comparable GAAP measure is contained in Exhibit A attached hereto.*

## PROXY SUMMARY

Focused on maintaining a healthy cash position <sup>2</sup> \$305.5 million<sup>2</sup> at year-end 2017

Maintained authority to repurchase shares up to \$25 million

In May 2017, we issued \$289.0 million aggregate principal amount of convertible senior notes that mature on June 1, 2024. The net proceeds of the offering were used to repay higher-cost revolving credit facility borrowings; enhance business and financial flexibility; support long-term growth; fund the cost of convertible note hedge transactions (after such cost was partially offset by proceeds to the Company from the sale of warrants); and for general corporate purposes.

### Shareholder Outreach, Engagement and Say-on-Pay Responsiveness

We have engaged in extensive ongoing shareholder outreach over the past seven years to better understand shareholder perspectives and consider ideas for improvements to, among other things, our corporate governance, sustainability and executive compensation practices, as well as our business strategy and performance, capital allocation strategy and public disclosures. This year, we again engaged in a particularly robust shareholder outreach program, reaching out to shareholders representing approximately 75% of our outstanding shares and engaging in discussions with those representing about one-half of our outstanding shares. We have made significant recent changes to our governance and executive compensation practices in response to insights gained during these discussions.

**In response to our 2017 Say-on-Pay result, the Board and its Compensation Committee undertook a particularly robust and multifaceted outreach program during the balance of 2017. These extra efforts included participation by a member of our Compensation Committee in multiple in-person and telephonic meetings with shareholders and resulted in specific shareholder feedback prompting tangible compensation and governance enhancements. All committee members also convened in a number of extra, non-regularly-scheduled meetings and discussions and considered and provided analysis focused on Say-on-Pay responsiveness.**

During all shareholder outreach meetings, AAWW sought input on proactively developed changes to our pay program, as well as emerging topics of expressed shareholder interest, such as environmental, social and governance issues ( ESG ). We received many supportive and positive comments on the Company's direction (both from a business growth and governance perspective), the proposed pay program changes and our board rotation/refreshment and outlook, even from several shareholders who voted against Say-on-Pay or individual directors in 2017.

**As a result of specific feedback from shareholders, we implemented a number of key changes to our compensation program and practices to specifically address our recent Say-on-Pay outcomes, and made changes to our governance practices in response to topics of importance raised by shareholders. Examples of feedback received are also included below.**

<sup>2</sup> Includes cash, cash equivalents, short-term investments and restricted cash.





*Summary of Key Messages and Actions Related to Shareholder Outreach and Response to 2017 Say-on-Pay Vote*

Topic	What We Heard From Our Shareholders
Amazon acceleration of CEO LTI awards due to retirement eligibility	<p>Strong preference for strict double-trigger awards</p> <p>Helpful to receive clarification that the CEO received no incremental CIC payments and that the CEO received no LTI payments in 2017</p>
Favorability of relative LTI metrics	<p>Strong support for the addition of a TSR metric with a thoughtful broad comparator group</p>
LTI-goal setting disclosure	<p>An enhancement of disclosure regarding the <b>process</b> of long-term incentive goal setting would be helpful. Understand concerns about providing long-term market guidance were AAWW to explicitly disclose long-term incentive metrics.</p>
Share Ownership Guidelines	<p>While current 5x CEO requirement is on market, further enhancement of CEO stock ownership would be viewed favorably</p>
Peer Group	<p>We understand your continued significant revenue growth and your business model are unique and global. Taking into account GICS codes along with other relevant factors when reviewing your peer group makes sense.</p>
Board Composition & Refreshment	<p>Inquiries made about Board diversity, in particular, gender diversity, annual Director evaluation process and use of an external advisor to conduct annual evaluation</p> <p>Certain investors specifically asked about Board succession planning, particular skills the Board is seeking, the process of identifying Director candidates and Committee refreshment and rotation</p>
ESG/Sustainability	<p>Investors asked about certain Environmental, Social and Governance ( ESG ) factors that may materially impact our business and/or create reputational risks</p> <p>Investor interest in sustainability continues to gain momentum as investors seek to gain a deeper understanding of the Company s focus on and commitment to</p>

ESG matters

**CHANGES MADE IN**

**DIRECT RESPONSE TO FEEDBACK**

**Changes since our last annual shareholder meeting:**

**Transition to strict double-trigger standard for all awards, requiring actual separation from service for second trigger (p. 58-60)**

**Addition of relative TSR performance measure to LTI awards to further strengthen pay-for-performance link (p. 43-45)**

**Enhanced disclosure regarding LTI performance target setting (p. 44)**

**Increased CEO stock ownership guidelines to 6x base salary to further align CEO interest with shareholders (p. 50)**

**The naming of two new nominees to the 2018 Board slate with a focus on gender diversity, cybersecurity, banking and financial skills as well as other skills in our board matrix (see pages vii, viii, 6, 7, 14 and 15). Also rotated Chairs of Board and Nominating & Governance Committee in 2017 (p. 7, 11 and 13)**

**PROXY SUMMARY**

**Revisions to peer group to reflect appropriate comparators for our evolving global business (p. 47-49)**

**Included a member of the Compensation Committee in shareholder outreach (p. iii and v)**

**Other recent shareholder-driven changes:**

Added proxy access provisions to our by-laws

Increased the weight of corporate performance goals from 50% to 60% in determining compensation of our Named Executive Officers ( NEOs ) under the Annual Incentive Program

Strengthened disclosure to reflect that we once again set target goal for Company performance (net income) under the Annual Incentive Plan at levels higher than prior year actual Company performance

Memorialized our general practice of granting equity awards subject to vesting periods greater than one year by adding minimum vesting language to our 2016 Plan

Engaged a new independent compensation consultant, Pay Governance, in 2016

Added enhanced disclosure regarding our environmental, social and governance practices

Adopted limits on Director service on other boards in keeping with market best practices and investor input regarding a Director's time commitment

Refreshed our board membership (one new 2017 director, two new directors elected in 2016), with a view towards increasing diversity and board skills and expertise (p. vii)

Our CEO's base salary has not been increased in the past five years, his bonus opportunity has not been increased since 2010 and his long-term incentive opportunity was decreased from a 4.75 multiple of salary to a 3.75 multiple of salary in 2014 to be better aligned with peer group levels

Adopted majority voting to elect Directors in uncontested elections

We regularly conduct ongoing reviews of both our governance and executive compensation practices to ensure that we maintain best practices and enhanced disclosure in our proxy statement and other SEC filings. We have also worked to expand and enhance our public disclosure around the topics of interest to our shareholders during these discussions.

In general, our outreach program over the past two years has targeted shareholders representing approximately 75% of our outstanding shares, with investor discussions occurring throughout the year on relevant topics and on the evolving governance landscape in the off-season, as well as our annual meeting ballot items.

**In-Season Engagement.** In 2017, prior to our annual meeting, we reached out to shareholders representing approximately 75% of our outstanding shares (including each of our 35 largest holders) and held discussions with all available shareholders.

**Off-Season Engagement.** After our 2017 annual meeting, we reached out to shareholders representing approximately 75% of our outstanding shares and held discussions with all interested holders, with a member of our Compensation Committee participating in many meetings, representing approximately one-half of our outstanding shares, to obtain additional feedback on our corporate governance and executive compensation practices. Specific shareholder feedback has directly resulted in changes and enhancements to our executive compensation and corporate governance programs.

The diagram below represents our ongoing shareholder outreach process, further enhanced this year with Board member involvement and seeking specific feedback in response to our recent Say-on-Pay outcomes.

### **Compensation Program that Aligns Pay and Performance**

Our compensation programs are designed to drive achievement of our business strategies and provide competitive opportunities. Accordingly, achievement of most of those opportunities depends on the attainment of certain performance goals tied to Company performance. Atlas' compensation programs are designed to provide compensation that:

1. Attracts, motivates and retains high-performing executives
2. Provides performance-based incentives to reward achievement of short- and long-term business goals and strategic objectives which align with our operating plan, while recognizing individual contributions
3. Aligns the interests of our executives with those of our shareholders

In making compensation decisions for 2017, the Compensation Committee considered our operating strategy and goals, as well as comments received through our shareholder outreach program, and took into account our Say-on-Pay results. In response to shareholder feedback and Say-on-Pay voting results, we have adopted some very significant and impactful changes, as described on pages iv – v and the Compensation Discussion and Analysis.

**PROXY SUMMARY**

*The Company performance metrics we believe are important to our shareholders are the same metrics as we use in our incentive plans in 2017:*

**Annual Incentives**

<b>Company Performance Metric</b>	<b>NEO Performance Metric</b>
Company Financial Performance    Adjusted Net Income	Adjusted Net Income
Customer On-Time Reliability    Stringent standards specified under customer contracts	Customer Service On-Time Reliability
Company Business Plan and Strategic Initiatives	Individual Performance Objectives based heavily on annually set corporate strategic objectives

**Long-Term Incentives    PSUs and Performance Cash**

EBITDA Growth	EBITDA Growth
Return on Invested Capital	Return on Invested Capital
TSR ( <i>for awards granted in 2018 and after</i> )	Comparative TSR ( <i>for awards granted in 2018 and after</i> )

**Strong, Well-Balanced Corporate Governance Practices**

**Highly Qualified Board.** Our Directors bring deep industry experience to provide effective oversight in the boardroom.

**Independent Board Leadership.** We have separate Chairman of the Board and CEO roles with an independent Chairman elected annually by our Board. In recent years, we have refreshed the independent Chairman and the Chairs of our Audit Committee, Compensation Committee, and Nominating and Governance Committee, providing strong, independent Board and Committee leadership.

**Focus on Board Composition, Refreshment and Rotation.** We regularly evaluate the composition of our Board and our Committee leadership to ensure that we have the right balance of experience and perspective, and a mix of skills, backgrounds, and diversity to effectively facilitate oversight of management and strategy. To that end, we have welcomed three new directors, Bobby J. Griffin, John K. Wulff and Charles F. Bolden, Jr., to our Board in 2016 and 2017 and have nominated Jane H. Lute and Sheila A. Stamps for election to the Board at the 2018 Annual Meeting. As indicated above, we also rotated the Chair of the Board in mid-2017 following the rotation of the Chairs of our Audit Committee, Compensation Committee, and Nominating and Governance Committee. Shareholders should note that while the Board does not follow formal age and tenure policies, it is the Board's current expectation that Chairs (Board and Committees) will serve from three to five years and that members of the Board will serve up to 15 years. Both the Board and the Nominating and Governance Committee review Board and Committee composition, refreshment and rotation matters on a regular basis.

**Director Nominees**

**Jane H. Lute**

**Shelia A. Stamps**

**Recently-Elected Directors**

**Bobby J. Griffin**  
**(2016)**

**John K. Wulff**  
**(2016)**

**Charles F. Bolden, Jr.**  
**(2017)**

To best serve shareholders, our two Director nominees and three recently joined Directors bring an appropriate balance of fresh perspective and experience to effectively oversee strategy and management.

Upon election by our shareholders at the 2018 Annual Meeting, the average tenure of our Directors and the composition of our Board would be six years:

To evidence the Board's focus on refreshment, tenure and composition matters, the Board's average tenure has declined from eight years in April 2016 to six years today (assuming the election of the entire proposed Board slate).

**Best Practices.** We maintain corporate governance best practices that promote accountability and protect shareholder rights, including the adoption of proxy access provisions in our by-laws and the implementation of majority voting in uncontested elections.

In addition, we have annually elected Directors, 100% Board independence (except our CEO), separate CEO and Chairman positions, no poison pill in place, 100% independent Board committees, and ongoing dialogue with shareholders, including on governance, executive compensation, and other key business matters.

Please see pages 14-21 for further discussion of our governance practices.



**TABLE OF CONTENTS**

	<b>Page</b>
<u>General Information</u>	<b>1</b>
<u>About the Annual Meeting</u>	<b>3</b>
<u>Record Date and Voting Securities</u>	3
<u>Quorum, Vote Required</u>	3
<u>Proposal No. 1 Election of Directors</u>	<b>5</b>
<u>Director Core Competencies</u>	6
<u>Nominees for Director</u>	8
<u>Corporate Governance, Board and Committee Matters</u>	<b>14</b>
<u>Board Leadership Structure</u>	14
<u>Board Effectiveness, Annual Assessment and Refreshment</u>	14
<u>Board Oversight of Risk-Mitigation Process</u>	16
<u>Director Independence</u>	16
<u>Active and Engaged Board</u>	17
<u>Executive Sessions</u>	18
<u>Communications with the Board</u>	18
<u>Code of Ethics and Employee Handbook</u>	19
<u>Environmental, Social and Governance Issues</u>	19
<u>Compensation of Nonemployee Directors</u>	21
<u>Board and Committee Information</u>	23
<u>Nominating and Governance Committee</u>	23
<u>Audit Committee</u>	24
<u>Compensation Committee</u>	26
<u>Compensation Discussion and Analysis</u>	<b>29</b>
<u>Overview</u>	30
<u>Discussion of Our Compensation Program</u>	37
<u>Compensation Committee Report</u>	51
<u>Compensation Tables and Explanatory Notes</u>	52
<u>Pay Ratio</u>	<b>63</b>
<u>Proposal No. 2 Ratification of PricewaterhouseCoopers LLP as the Company's Independent Registered Public Accounting Firm for 2018</u>	<b>64</b>
<u>Proposal No. 3 Advisory Vote to Approve the Compensation of Our Named Executive Officers</u>	<b>65</b>
<u>Proposal No. 4 Approval our 2018 Incentive Plan</u>	<b>67</b>

---

**TABLE OF CONTENTS**

	<b>Page</b>
<u>Stock Ownership</u>	<b>75</b>
<u>Beneficial Ownership Table</u>	75
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	77
<u>Certain Relationships and Related Person Transactions</u>	77
<u>Deadline for Receipt of Shareholder Proposals to be Presented at the 2019 Annual Meeting</u>	<b>78</b>
<u>Shareholder Proposals to Be Included in Our 2019 Proxy Statement</u>	78
<u>Proxy Access Notice Procedures</u>	78
<u>Advance Notice Procedures</u>	78
<u>Additional Information</u>	<b>78</b>
<u>Shares Registered in the Name of a Bank, Broker or Nominee</u>	78
<u>Broker Non-Votes</u>	79
<u>Revocability of Proxies</u>	79
<u>Proxy Solicitation</u>	79
<u>Proxy Tabulation</u>	79
<u>Separate Voting Materials</u>	79
<u>List of Shareholders</u>	80
<u>Additional Copies of Annual Report</u>	80
<u>Limited Voting by Foreign Owners</u>	80
<u>Extent of Incorporation by Reference of Certain Materials</u>	81
<u>Other Matters</u>	<b>82</b>
<u>Exhibits</u>	

I Atlas Air Worldwide Holdings, Inc. 2018 Notice & Proxy Statement

**GENERAL INFORMATION**

**ATLAS AIR WORLDWIDE HOLDINGS, INC.**

**2000 Westchester Avenue**

**Purchase, New York 10577**

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**May 23, 2018**

**GENERAL INFORMATION**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board of Directors or Board) of Atlas Air Worldwide Holdings, Inc., a Delaware corporation (AAWW or the Company), for use at the Annual Meeting of Shareholders (the Annual Meeting) to be held on Wednesday, May 23, 2018, at the Belmond Charleston Place Hotel, 205 Meeting Street, Charleston, South Carolina at 9:00 a.m., local time, and at any adjournments or postponements of the Annual Meeting. It is expected that this Proxy Statement and the accompanying proxy will first be mailed or delivered to shareholders beginning on or about April 23, 2018. Proxies may be solicited in person, by telephone or by mail, and the costs of such solicitation will be borne by AAWW.

**THE COMPANY**

AAWW is a leading global provider of outsourced aircraft and aviation operating services. We operate the world's largest fleet of 747 freighters and provide customers with a broad array of 747, 777, 767, 757 and 737 aircraft for domestic, regional and international cargo and passenger operations.

AAWW is a holding company with two wholly owned operating subsidiaries, Atlas Air, Inc. (Atlas) and, as of April 7, 2016, Southern Air, Inc. (Southern). We also have a 51% economic interest and a 75% voting interest in Polar Air Cargo Worldwide, Inc. (Polar). In addition, we are the parent company of several wholly owned subsidiaries related to our dry leasing services (collectively referred to as Titan). Except as otherwise noted, AAWW, Atlas, Southern and Titan (along with all other entities included in AAWW's consolidated financial statements) are collectively referred to herein as the Company, AAWW, we, us, or our.

Combined with Polar, AAWW provides ACMI, CMI, Charter and Dry Leasing services to DHL Express (DHL) in support of DHL's transpacific express, North American and intra-Asian networks. Additionally, we fly between the Asia Pacific region, the Middle East and Europe on behalf of DHL and other customers. Atlas also provides incremental charter capacity to Polar and DHL Express from time to time.

Our primary service offerings include the following:

**ACMI** (Aircraft, Crew, Maintenance, and Insurance): We provide outsourced cargo and passenger aircraft operating solutions, including the provision of an aircraft, crew, maintenance, and insurance. Customers assume fuel, demand, and price risk and most other operational fees and costs.

**CMI** (Crew, Maintenance, and Insurance): Within ACMI, we also provide outsourced cargo and passenger aircraft operating solutions, generally including the provision of crew, line maintenance, and insurance, but not

**THE COMPANY**

the aircraft. Customers assume fuel, demand and price risk, and are responsible for providing the aircraft (which they may lease from us), heavy and non-heavy maintenance, and most other operational fees and costs.

**Charter:** We provide cargo and passenger aircraft charter services to customers including the U.S. military Air Mobility Command, brokers, freight forwarders, direct shippers, airlines, sports teams and fans, and private charter customers. The customer pays a fixed charter fee that includes fuel, insurance, landing fees, navigation fees, and most other operational fees and costs.

**Dry Leasing:** We provide cargo and passenger aircraft and engine leasing solutions. The customer operates, and is responsible for insuring and maintaining, the flight equipment.

We currently operate our service offerings through the following reportable segments: ACMI, Charter, and Dry Leasing.

**ACMI and CMI**

**Charter**

**Dry Leasing**

~75% of Block Hours

~25% of Block Hours

Not Tied to Block Hours

\* *Block Hours are the time intervals between when an aircraft departs the terminal until it arrives at the destination terminal and are the units by which we typically charge ACMI and Charter customers. In Dry Leasing, customers are typically charged a fixed monthly amount for the use of an aircraft or engine.*

**ABOUT THE ANNUAL MEETING**

**ABOUT THE ANNUAL MEETING**

At our Annual Meeting, the holders of shares of our Common Stock, par value \$0.01 per share (the Common Stock ), will act upon the matters outlined in the notice of meeting at the beginning of this Proxy Statement, in addition to transacting such other business, if any, as may properly come before the meeting or any adjournments thereof. The shares represented by your proxy will be voted as indicated on your proxy, if properly executed. If your proxy is properly signed and returned, but no directions are given on the proxy, the shares represented by your proxy will be voted:

**FOR** the election of the Director Nominees named herein, to serve until the 2019 Annual Meeting or until their successors are elected and qualified (Proposal No. 1);

**FOR** ratifying the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the year ending December 31, 2018 (Proposal No. 2);

**FOR** the adoption of an advisory vote approving the compensation of our NEOs (the Say-on-Pay vote) (Proposal No. 3);

**FOR** the approval of our 2018 Incentive Plan (Proposal No. 4).

In addition, if any other matters are properly submitted to a vote of shareholders at the Annual Meeting, the accompanying form of proxy gives the proxy holders the discretionary authority to vote your shares in accordance with their best judgment on that matter. Unless you specify otherwise, it is expected that your shares will be voted on those matters as recommended by our Board of Directors, or if no recommendation is given, in the proxy holders discretion.

For additional information regarding our Annual Meeting, see Additional Information at the end of this Proxy Statement.

**Record Date and Voting Securities**

All of our shareholders of record at the close of business on April 2, 2018 (the Record Date ) are entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. As of the Record Date, there were 25,561,798 shares of Common Stock issued and outstanding. Each outstanding share of Common Stock will be entitled to one vote on each matter considered at the Annual Meeting. A description of certain restrictions on voting by shareholders who are not U.S. citizens, as defined by applicable laws and regulations, can be found in Additional Information Limited Voting by Foreign Owners at the end of this Proxy Statement.

**Quorum, Vote Required**

A majority of the outstanding shares of Common Stock as of the Record Date must be present, in person or by proxy, at the Annual Meeting to have the required quorum for the transaction of business. If the number of shares of Common Stock present in person and by proxy at the Annual Meeting does not constitute the required quorum, the Annual Meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum.

*Proposal No. 1: Election of Directors.* In an uncontested election, a Director is elected by a majority of the votes cast (the number of shares voted For a Director-Nominee must exceed the number of votes cast Against that Director-Nominee). Shares voting Abstain or broker non-votes will have no effect on the election of Directors. Brokers, banks, and other nominees have no discretionary voting power in respect of this item.

*Proposal No. 2: Ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2018.* The affirmative vote of a majority of the shares represented at the Annual Meeting, either in person or by proxy and entitled to vote on this proposal, is required to ratify the selection of PricewaterhouseCoopers LLP. Shares voting Abstain

## ABOUT THE ANNUAL MEETING

will have the same effect as a vote **Against** this Proposal 2. Brokers, banks, and other nominees have discretionary voting power in respect of this item.

*Proposal No. 3: Advisory Vote to Approve the Compensation of the Company's NEOs.* Because Proposal 3 asks for a nonbinding, advisory vote, there is no required vote that would constitute approval. We value highly the opinions expressed by our shareholders in this advisory vote, and our Compensation Committee, which is responsible for overseeing and administering our executive compensation programs, will consider the outcome of the vote when designing our compensation programs and making future compensation decisions for our NEOs. Shares voting

**Abstain** will have the same effect as a vote **Against** this Proposal 3. Broker non-votes will have no effect on this nonbinding advisory vote. Brokers, banks, and other nominees have no discretionary voting power in respect of this item.

*Proposal No. 4: Approval of our 2018 Incentive Plan.* The affirmative vote of a majority of the shares represented at the Annual Meeting, either in person or by proxy and entitled to vote on this proposal, is required to approve our 2018 Incentive Plan. Shares voting **Abstain** or broker non-votes will have no effect on approval of an amendment to our 2018 Incentive Plan. Brokers, banks, and other nominees have no discretionary voting power in respect of this item.



**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

Our Board has nominated 10 persons to stand for election at the 2018 Annual Meeting and to hold office until the next Annual Meeting. All Nominees are currently Directors elected at the 2017 Annual Meeting, except for Ms. Lute and Ms. Stamps, who are new director candidates. The Nominating and Governance Committee has recommended the 10 Nominees for nomination by the Board after an evaluation of the size and composition of the Board and a review of each member's skills, characteristics, and independence. The Board believes that each of the Nominees brings strong skills, background, experience and industry expertise to the boardroom, giving the Board as a group the appropriate balance of skills needed to exercise its oversight responsibilities. While the Company does not have a formal policy regarding the diversity of its Directors, the Board believes that diversity with respect to gender, ethnicity, background, professional experiences and perspectives is an important element in the Board selection process. Both the Nominating and Governance Committee and the full Board will consider attributes such as race, gender, cultural background and professional experience when reviewing candidates for the Board and in assessing the Board's overall composition.

Each Nominee has consented to be named as a Nominee for election as a Director and has agreed to serve if elected. Except as otherwise described below, if any of the Nominees is not available for election at the time of the Annual Meeting, discretionary authority will be exercised to vote for substitutes designated by our Board of Directors, unless the Board chooses to reduce the number of Directors. Management is not aware of any circumstances that would render any Nominee unavailable. At the Annual Meeting, Directors are expected to be elected to hold office until the 2019 Annual Meeting or until their successors are elected and qualified, as provided in our By-Laws.

Because this election is not a contested election, each Director will be elected by the vote of the majority of the votes cast when a quorum is present. A majority of the votes cast means that the number of votes cast for a Director exceeds the number of votes cast against that Director. Votes cast excludes abstentions and any votes withheld by brokers in the absence of instructions from street name holders (broker non-votes).

It is the policy of the Board that, as a condition of nomination, each incumbent Director nominated has submitted to the Secretary of the Company an irrevocable contingent resignation. This resignation will be effective only if (i) the Nominee fails to receive a majority of the votes cast in an uncontested election and (ii) the Board accepts such resignation within 60 days following the certification of the election results.

***Retiring Directors***

General Frederick McCorkle and Governor James S. Gilmore III, Directors of the Company since 2004, are retiring from the Board and will not stand for reelection at this year's Annual Meeting. The Board wishes to thank General McCorkle and Governor Gilmore for their service, leadership and dedication to the Company over the past 14 years and to recognize the numerous contributions they have made over that time as members of the Board. Their experience and knowledge of the Company will be missed.

**Frederick McCorkle**

**James S. Gilmore III**

## PROPOSAL NO. 1 ELECTION OF DIRECTORS

### Director Core Competencies

#### *Board Composition and Nomination Considerations*

Our Board strives to maintain an appropriate balance of experience, tenure, diversity, leadership, skills and qualifications that are of importance to our Company and the execution of our strategy. Given the diversity of our business operations, it is important to bring together Directors with differing experiences, perspectives and backgrounds to ensure proper oversight of the interests of our Company and our shareholders.

The Nominating and Governance Committee works with the full Board to determine the qualifications and experiences it believes are most relevant and responsive to the needs of our business. In doing so, the Nominating and Governance Committee takes into account a number of factors, including:

Evolving strategic priorities;

Existing characteristics of our Board, including tenure and diversity;

Results of our annual Board and Committee self-evaluations; and

Shareholder feedback sought as part of a robust outreach program with Board member participation.

#### *Evaluation of Director Nominees and Expansion of Board*

In 2017 and early 2018, the Board of Directors and the Nominating and Governance Committee continued a process for seeking out, evaluating and recommending potential candidates for election to the Board. During 2017 and early 2018, the full Board, under the guidance of the Nominating and Governance Committee, undertook a thorough review of the skills, qualifications and tenure of our incumbent Directors, as well as the size of the Board, in the context of our long-range strategic plan, consistent with our governance principles, and taking into account feedback from shareholder outreach. The Board reviewed in detail the experience, skills, and qualifications of our incumbent Directors and identified areas that would enhance the overall strength of our current Board and the ability of the Company to execute its long-term strategic plan. **For 2017, the Board engaged an independent third-party facilitator who conducted the annual evaluation of the Board and its three standing Committees.** The results of these evaluations and the meaningful and tangible feedback generated were also considered by the Board and the Committee in searching for and evaluating nominees who could (1) add new and different areas of subject-matter expertise to the Board consistent with our growing Company and long-term strategy, and (2) strengthen the overall effectiveness of the Board. Key skills and qualifications that the Board and Committee identified included information technology, cybersecurity, finance, banking, executive leadership experience and presence, as well as public company board experience.

The Board and the Nominating and Governance Committee asked all of the Directors to consider the skills and qualifications identified and recommend potential candidates to be considered. A special committee of the Board,

consisting of the Chair of the Nominating and Governance Committee, the Chairman of the Board, the Chief Executive Officer and another of the independent Directors, was then established to interview and evaluate the identified candidates and make recommendations to the Nominating and Governance Committee. Over several months, this special committee interviewed all candidates recommended by the members of the Nominating and Governance Committee, as well as members of the Board. While all of the candidates interviewed demonstrated an extraordinary and diverse background and scope of experience, the Nominating and Governance Committee determined to recommend, and with approval by the Board to nominate, Ms. Lute, who has extensive information technology and cybersecurity experience, and Ms. Stamps, who has an extensive background in banking and finance, for election as Directors of the Company. Both nominees possess senior executive leadership experience, as well as public company board experience.

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

*Director Skills and Experience*

Our Board selected Director Nominees based on their diverse skills, qualifications, backgrounds and expertise, which the Board believes will contribute to the effective oversight of the Company. The chart below depicts the current skills, qualifications, and expertise represented on our Board.

**THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS THAT YOU VOTE **FOR** THE ELECTION OF EACH OF THE NOMINEES NAMED ON THE IMMEDIATELY FOLLOWING PAGES.**

Atlas Air Worldwide Holdings, Inc. 2018 Notice & Proxy Statement | 7

---

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

*Nominees for Director*

**Robert F. Agnew**

**Background:** Mr. Agnew is President and Chief Executive Officer of Morten Beyer & Agnew, an international aviation consulting firm experienced in the financial modeling and technical due diligence of airlines and aircraft funding (Morten Beyer & Agnew is a privately held business).

*Independent Chairman*

**Age:** 67

**Director since:** 2004

**Committees:**

Nominating and Governance

Mr. Agnew has over 30 years of experience in aviation and marketing consulting and has been a leading provider of aircraft valuations to banks, airlines, and financial institutions worldwide. Previously, he served as Senior Vice President of Marketing and Sales at World Airways. Mr. Agnew began his commercial aviation career at Northwest Airlines, where he concentrated on government and contract sales, schedule planning, and corporate operations research. Earlier, he served in the U.S. Air Force as an officer and instructor navigator with the Strategic Air Command. Mr. Agnew is also a member of the Board of directors of TechPubs LLC (a privately held business) and, within the last five years, served as director of Stanley Martin Communities, LLC (also a privately held business). In addition, he is a member of the Board of Trustees of the International Society of Transport Aircraft Trading Foundation and formerly chaired the Military Airlift Committee of The National Defense Transportation Association.

**Board Skills and Qualifications:** Civil and Governmental Aviation; Finance, Accounting and Risk Management; Global Operations; Mergers and Acquisitions; Military Affairs; Current/Previous Senior Executive Experience; Supply Chain and Procurement; Sales and Marketing; Strategic Planning; Transportation and Security

**Timothy J. Bernlohr**

**Background:** Mr. Bernlohr is the founder and managing member of TJB Management Consulting, LLC, which specializes in providing project-specific consulting services to businesses in transformation, including restructurings, interim executive management and strategic planning services (TJB Management Consulting is a privately held business). Mr. Bernlohr founded the consultancy in 2005. Mr. Bernlohr was President and Chief Executive Officer of RBX Industries, Inc., which was a nationally recognized leader in the design, manufacture, and marketing of rubber and plastic materials to the automotive, construction, and industrial markets, until it was sold in 2005. Prior to joining RBX in 1997, Mr. Bernlohr spent 16 years in the International and Industry Products divisions of Armstrong World Industries, where he

*Independent Director*

**Age:** 59

**Director since:** 2006

served in a variety of management positions. Mr. Bernlohr also serves as a director of WestRock Company (Chairman, Compensation Committee), Overseas Ship Holding Group (Chairman, Compensation Committee) and International Seaways, Inc. (Chairman, Compensation Committee)

**Committees:**

Mr. Bernlohr has advised that he is not standing for reelection to the Overseas Ship Holding Group board. Within the last five years, he was a director of Chemtura Corporation, Rock-Tenn Company, The Cash Store Financial Services Inc., and Aventine Renewable Resources.

Audit (Chair)

Nominating and Governance

**Board Skills and Qualifications:** Capital Structure; Corporate Governance; Finance, Accounting and Risk Management; Legal, Regulatory and Government Affairs; Mergers and Acquisitions; Current/Previous Senior Executive Experience; Supply Chain and Procurement; Sales and Marketing; Strategic Planning; Transportation and Security

**PROPOSAL NO. 1 ELECTION OF DIRECTORS****Charles F. Bolden, Jr.***Independent Director***Age:** 71**Director since:** February 2017**Committees:**

Audit

Major General Charles F. Bolden, Jr., Retired U.S. Marine Corps served as the 12<sup>th</sup> Administrator of the National Aeronautics and Space Administration (NASA) from July 2009 to January 2017. As Administrator, he led a nationwide NASA team to advance the missions and goals of the U.S. space program. General Bolden's 34-year career with the U.S. Marine Corps also included 14 years as a member of NASA's Astronaut Office. After joining the Office in 1980, General Bolden traveled to orbit four times aboard the space shuttle between 1986 and 1994, commanding two of the missions and piloting two others. His flights included deployment of the Hubble Space Telescope and the first joint U.S.-Russian shuttle mission, which featured a cosmonaut as a member of his crew. General Bolden left NASA in 1994 and returned to the operating forces of the Marine Corps. His final duty was as Commanding General of the 3rd Marine Aircraft Wing, Miramar, Calif. General Bolden currently serves as Director of Lord Corporation (a privately held business) and Blue Cross/Blue Shield of South Carolina (a mutual insurance company).

**Board Skills and Qualifications:** Civil and Governmental Aviation; Corporate Governance; Global Operations; Military Affairs; Public Company Board Experience; Strategic Planning; Transportation and Security

**William J. Flynn***President and CEO***Age:** 64**Director since:** 2006

**Background:** Mr. Flynn has been our President and Chief Executive Officer since June 2006. Mr. Flynn has a 41-year career in international supply chain management and freight transportation.

Prior to joining us, Mr. Flynn served as President and Chief Executive Officer of GeoLogistics Corporation since 2002 where he led a successful turnaround of the company's profitability and the sale of the company in September 2005. Prior to his tenure at GeoLogistics, Mr. Flynn served as Senior Vice President at CSX Transportation from 2000 to 2002. Mr. Flynn spent over 20 years with Sea-Land Service, Inc., a global provider of container shipping services, serving in roles of increasing responsibility in the U.S., Latin America, and Asia. He ultimately served as head of the company's operations in Asia. Mr. Flynn is also a director of Republic Services, Inc. but is not standing for reelection to that company's board. He also serves as a director of Airlines for America (a trade association).

**Board Skills and Qualifications:** Capital Structure; Civil and Governmental Aviation; Corporate Governance; Finance, Accounting and Risk Management; Global Operations; International Trade; Legal, Regulatory and Government Affairs; Mergers and Acquisitions; Military Affairs; Current/Previous Senior Executive Experience; Supply Chain and Procurement; Public Company Board Experience; Sales and Marketing; Strategic Planning; Transportation and Security



**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

**Bobby J. Griffin**

*Independent Director*

**Age:** 69

**Director since:** 2016

**Background and Experience:** Mr. Griffin served as President International Operations for Ryder System, Inc., a global provider of transportation, logistics and supply chain management solutions from 2005 to 2007. Beginning in 1986, Mr. Griffin served in various other management positions with Ryder, including as Executive Vice President International Operations from 2003 to 2005 and Executive Vice President Global Supply Chain Operations from 2001 to 2003. Prior to Ryder, Mr. Griffin was an executive at ATE Management and Service Company, Inc., which was acquired by Ryder in 1986. He currently serves as director of Hanesbrands Inc., United Rentals, Inc. and WESCO International, Inc.

**Committees:**

Compensation

Nominating and Governance

**Board Skills and Qualifications:** Corporate Governance; Current/Previous Senior Executive Experience; Global Operations; International Trade; Mergers and Acquisitions; Public Company Board Experience; Supply Chain and Procurement; Strategic Planning; Transportation and Security

**Carol B. Hallett**

*Independent Director*

**Age:** 80

**Director since:** 2006

**Background:** Ms. Hallett has been of counsel at the U.S. Chamber of Commerce since 2003 and served as a member of the U.S. Chamber Foundation Board of Directors from 2003 to 2015. From 1995 to 2003, Ms. Hallett was President and Chief Executive Officer of the Air Transport Association of America (ATA), the nation's oldest and largest airline trade association, now known as the Airlines for America (A4A). Prior to joining the ATA, Ms. Hallett served as senior government relations advisor with Collier, Shannon, Rill & Scott from 1993 to 1995. From 2003 to 2004, she was chair of Homeland Security at Carmen Group, Inc., where she helped develop the homeland security practice for the firm. From 1986 through 1989, Ms. Hallett served as United States Ambassador to the Commonwealth of the Bahamas. From 1989 to 1993, she was Commissioner of the United States Customs Service. Ms. Hallett has also served as a director of Rolls Royce-North America (a unit of Rolls Royce Group plc) from 2003 to 2018. In addition, she was appointed by the Secretaries of Treasury and Homeland Security and served on the Customs Oversight Advisory Committee (COAC) from 2011 to 2015. Ms. Hallett has served on the Transnational Threat Committee at the Center for Strategic and International Studies since 2003. Within the last five years, she was a director of G4S Government Solutions Inc. (a privately held business).

**Committees:**

Compensation (Chair)

Nominating and Governance

**Board Skills and Qualifications:** Civil and Governmental Aviation; Global Operations; International Trade; Legal, Regulatory and Government Affairs; Military Affairs; Supply Chain and Procurement; Public Company Board Experience; Strategic Planning; Transportation and Security

10 | Atlas Air Worldwide Holdings, Inc. *2018 Notice & Proxy Statement*

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

**Jane H. Lute**

*Independent Director*

**Age:** 61

New Director Nominee

**Background and Experience:** Ms. Lute is the President and CEO of SICPA North America, a company that specializes in providing solutions to protect the integrity and value of products, processes, and documents. Ms. Lute also serves as Special Advisor to the Secretary-General of the United Nations, where she has held several positions in peacekeeping and peace building. Previously, Ms. Lute served as Deputy Secretary for the U.S. Department of Homeland Security from 2009-2013. She also served as Chief Executive Officer of the Center for Internet Security (CIS), an operating not-for-profit organization and home of the Multi-State Information Sharing and Analysis Center (MS-ISAC), providing cybersecurity services for state, local, tribal and territorial governments. Ms. Lute is a member of several international commissions focused on cybersecurity and the future of the Internet. She began her distinguished career in the United States Army and served on the National Security Council staff under both Presidents George H.W. Bush and William Jefferson Clinton. Ms. Lute holds a Ph.D. in political science from Stanford University and a J.D. from Georgetown University. She is a member of the Virginia bar. Ms. Lute is also a director of Union Pacific Corporation.

**Board Skills and Qualifications:** Cybersecurity and Information Technology; Corporate Governance; Global Operations; Legal, Regulatory and Government Affairs; Military Affairs; Current/Previous Senior Executive Experience; Public Company Board Experience

**PROPOSAL NO. 1 ELECTION OF DIRECTORS****Duncan J. McNabb***Independent Director***Age:** 65**Director since:** 2012**Committees:**

Audit

Nominating and Governance

(Chair)

**Background:** General Duncan J. McNabb, Retired, U.S. Air Force served as Commander of the United States Air Mobility Command from 2005 to 2007 and Commander of the United States Transportation Command (USTRANSCOM) from 2008 until his retirement from the Air Force in December 2011. USTRANSCOM is the single manager for air, land, and sea transportation for the Department of Defense (DOD). He also served as DOD's Distribution Process Owner, overseeing DOD's end-to-end supply chain, transportation, and distribution to our armed forces worldwide. General McNabb commanded more than \$56 billion in strategic transportation assets, over 150,000 service personnel and a worldwide command-and-control network. A graduate of the United States Air Force Academy and Air Force pilot, he flew more than 5,600 hours in transport and rotary aircraft, including the C-17. General McNabb has held command and staff positions at squadron, group, wing, major command and DOD levels. During his over 37-year military career, General McNabb also served as the Air Force Deputy Chief of Staff for Plans and Programs with responsibility for all Air Force programs and over \$500 billion in funding over the Air Force's Five-Year Defense Plan (FYDP). He later served as Director of Logistics on the Joint Staff and was responsible for operational logistics and strategic mobility support to the Chairman of the Joint Chiefs and the Secretary of Defense. Before his final command at USTRANSCOM, McNabb served as the 33rd Vice Chief of Staff of the Air Force. General McNabb is also a Director and Chairman of the Government Security Committee of AT Kearney Public Sector & Defense Services (a privately held business), a member of the Boards of Directors of AAR Corp. and of Elbit Systems of America (a privately held business), as well as a cofounder and a managing partner of Ares Mobility Solutions, Inc. (also a privately held business). He serves as Chairman of the Board of Trustees for Arnold Air Society and Silver Wings, Chairman of the Airlift/Tanker Association and is a member of the Board of Visitors of the United States Air Force's Air University. Within the last five years, he was also a director of AdvanTac Technologies and HDT Global (both privately held businesses).

**Board Skills and Qualifications:** Civil and Governmental Aviation; Global Operations; International Trade; Legal, Regulatory and Government Affairs; Military Affairs; Supply Chain and Procurement; Public Company Board Experience; Strategic Planning; Transportation and Security



**PROPOSAL NO. 1 ELECTION OF DIRECTORS****Sheila A. Stamps***Independent Director***Age:** 60

New Director Nominee

**Background and Experience:** Ms. Stamps, has a diversity of strategic and financial experience including governance oversight of aviation businesses. She previously served as Executive Vice President at Dreambuilder Investments, LLC, a private mortgage investment company, from 2011 to 2012. She served from 2008 to 2011 as Director of Pension Investments and Cash Management at New York State Common Retirement Fund, and from 2004 to 2005 as a Fellow at the Weatherhead Center for International Affairs at Harvard University. Prior to this, Ms. Stamps served as a Managing Director and Head of Relationship Management, Financial Institutions at Bank of America (formerly FleetBoston Financial Corporation). From 1982 to 2003, she held a number of executive positions with Bank One Corporation (now, JPMorgan Chase & Co.), including Managing Director and Head of European Asset-Backed Securitization and Managing Director and Senior Originator of Asset-Backed Securitization. She currently serves as a Director of CIT Group, Inc. and CIT Bank N.A.; Commissioner and Audit Committee Chair of the New York State Insurance Fund; and Director of IES Abroad. Ms. Stamps holds an MBA from the University of Chicago; serves on the Board Advisory Services Faculty of the National Association of Corporate Directors; and is recognized as a NACD Board Leadership Fellow.

**Board Skills and Qualifications:** Capital Structure; Corporate Governance; Finance, Accounting and Risk Management; Legal, Regulatory and Government Affairs; Marketing; Strategic Planning; Current/Previous Senior Executive Experience; Public Company Board Experience

**John K. Wulff***Independent Director***Age:** 69**Director since:** 2016

**Background and Experience:** Mr. Wulff is the former Chairman of the board of directors of Hercules Incorporated, a specialty chemicals company, a position he held from July 2003 until Ashland Inc.'s acquisition of Hercules in November 2008. Prior to that time, he served as a member of the Financial Accounting Standards Board from July 2001 until June 2003. Mr. Wulff was previously Chief Financial Officer of Union Carbide Corporation, a chemical and polymers company, from 1996 to 2001. During his 14 years at Union Carbide, he also served as Vice President and Principal Accounting Officer from January 1989 to December 1995, and Controller from July 1987 to January 1989. Mr. Wulff was also a partner of KPMG LLP and predecessor firms from 1977 to 1987. Mr. Wulff is also a member of the board of directors of Celanese Corporation. Within the last five years, Mr. Wulff served as a director of Chemtura Corporation, Moody's Corporation and Sunoco, Inc.

**Committees:**

Audit

Compensation

**Board Skills and Qualifications:** Finance, Accounting and Risk Management; Current/Previous Senior Executive Experience; Governmental and Regulatory; Capital Structure; Corporate Governance; Global Operations; Mergers and Acquisitions; Public Company Board Experience; Strategic Planning

---

**CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS**

**CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS**

Our Board held five in-person meetings and four telephonic meetings in 2017. Pursuant to Board policy, Directors are expected to attend all Board and Committee meetings, as well as our annual meeting of shareholders. Each standing Director attended more than 75% of the meetings of the Board and committees of the Board on which such Director serves. All of the standing Directors attended the 2017 Annual Meeting.

**Board Leadership Structure**

The Chairman of the Board is an independent director. We have maintained separate roles for the Chairman of the Board and the CEO for almost 14 years. While we do not have a formal policy in place, the Board evaluates its leadership structure on a periodic basis to ensure it aligns with the evolving circumstances and needs of the Company. The Board believes that its current structure is in the best interest of the Company and its shareholders.

The separation of the roles contributes to the Board's strong and independent oversight of a focused and effective management team. It allows the CEO to focus on the everyday operations of the business while also positioning the Chairman to provide independent counsel and leadership to the Board, CEO, and management team relating to Company operations, governance, and compensation matters. The independent Chairman's key responsibilities include:

Presiding over meetings of our Board of Directors, executive sessions of our nonmanagement Directors and our annual meeting of shareholders;

Briefing the CEO on issues discussed in executive sessions;

Facilitating communications among directors and between the CEO and the Board, and supervising the circulation of information to the full Board;

Developing, in conjunction with our CEO, and approving the agenda for our Board meetings;

Recommending Board committee appointments and responsibilities in conjunction with the Nominating and Governance Committee;

Leading the evaluation process of our CEO, with oversight of the annual Board or Committee self-evaluations;

Overseeing the periodic review of management's strategic plan; and



Carrying out any other responsibilities requested by the CEO or the Board.

We currently believe that having an independent Chairman also promotes a greater role for the nonexecutive Directors in the oversight of the Company, including oversight of material risks facing the Company, encourages active participation by the independent Directors in the work of our Board of Directors, and enhances our Board of Directors role of representing shareholders' interests.

### **Board Effectiveness, Annual Assessment and Refreshment**

The Board is focused on enhancing its performance through a rigorous assessment process of the effectiveness of the Board and its Committees with a view to increasing shareholder value. We have designed our Board evaluation process to solicit input and perspective from all our Directors on various matters, including, but not limited to:

The effectiveness of the Board and its operations;

The Board's leadership structure;

Board composition, including the Directors' capabilities, experiences and knowledge;

**CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS**

The quality of Board interactions;

The effectiveness of Board Committees;

Efficiency of Board and Committee meetings; and

The evaluation process itself.

As set forth in its charter, the Nominating and Governance Committee oversees the Board and Committee evaluation process. The process includes written evaluation forms that assess the effectiveness of the Board and its standing Committees and that provide feedback on an unattributed basis. Candid, one-on-one discussions between the Chairman of the Nominating and Governance Committee and each of the other Board members are also conducted and provide additional individual feedback.

In 2017, the Nominating and Governance Committee **engaged an independent third party to conduct the evaluations of the Board and our standing committees (Audit, Compensation and Nominating and Governance)**, and may do so in the future from time to time. The independent third party prepared the applicable evaluation forms and interviewed each Director to obtain additional comments and feedback. Regardless of whether an independent third party is involved in the evaluation process, the results of the assessments are compiled without attribution into a single form and sent to the Directors for a full Board assessment and to each Committee member, for those Committees on which they serve, to identify areas for future improvement. The evaluation results and the feedback received are used to update policies and practices as appropriate. The feedback is also considered by the Nominating and Governance Committee and the full Board when searching for and evaluating future Board nominees to help ensure we are adding the proper mix of subject matter expertise and perspective consistent with the needs of our growing company and our long-term strategy. In response to feedback received from Directors in 2017, areas identified for improvement included gender and experiential diversity, senior-level succession planning, long-term strategy and risk mitigation and continued Board focus on shareholder returns, among others.

During 2017 and early 2018, continuing the process developed and implemented over the previous two years, the full Board, under the guidance of the Nominating and Governance Committee, undertook a thorough review of the skills, qualifications and tenure of our incumbent Directors, as well as the size of the Board, in the context of our long-term strategic plan. **The Board was particularly focused on enhancing its expertise in information technology, cybersecurity, banking and finance, as well as seeking nominees who had executive experience and presence and public company board experience.** While the Company does not have a formal policy with respect to diversity, the Board believes that building a diverse Board comprised of individuals from different backgrounds and with a range of experiences and viewpoints is desirable.

Through this process, the Board identified Ms. Lute, who has an extensive cybersecurity background and is currently a director of Union Pacific Corporation, and Ms. Stamps, who has extensive banking and finance experience and currently serves on the board of CIT Group Inc., as candidates for election to the Board at the 2018 Annual Meeting. See [Director Core Competencies](#) above for additional information.

The graphic below summarizes the robust process undertaken by the Board to identify the new Director nominees in 2018:

## **CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS**

### **Board Oversight of Risk-Mitigation Process**

The Board of Directors is responsible for oversight of the Company's risk-assessment and management process.

The Board delegates to the Compensation Committee responsibility for oversight of management's compensation risk assessment, and ensuring that the compensation practices of the Company continue to not encourage excessive risk-taking by management.

The Board delegates other risk-management oversight matters to our Audit Committee. The Audit Committee's responsibilities include:

Direct oversight of our internal audit function, including the organizational structure and staff qualification, as well as the scope and methodology of the internal audit process; and

A review, at least annually, of our enterprise risk-management plan to ensure that appropriate measures and processes are in place, including discussion of the major risks, the key strategic plan assumptions considered during the assessment and steps implemented to monitor and mitigate such exposures on an ongoing basis. The Audit and Compensation Committees report to the Board, as appropriate, when a matter rises to the level of a material, enterprise-level risk. In addition to the reports from the Audit and Compensation Committees, the Board periodically discusses risk oversight, included as part of its annual detailed corporate strategy review.

The Company's management is responsible for day-to-day risk management. Our Internal Audit, Safety, Security, Corporate Controller, Information Technology, Human Resources, Legal, Business Resiliency, and Treasury Departments serve as the primary monitoring and testing functions for Company-wide policies and procedures, and manage the day-to-day oversight of the risk management strategy for the ongoing business of the Company. This oversight includes identifying, evaluating, and addressing potential risks that may exist at the enterprise, strategic, financial, operational, technological, compliance, and reporting levels.

We believe that the division of risk-management responsibilities as described above is an effective approach for addressing risks facing the Company.

### **Director Independence**

The Nominating and Governance Committee has determined that all Directors, including our new Nominees but excluding Mr. Flynn, are independent under Company standards and SEC and NASDAQ rules. The Nominating and Governance Committee classifies the following Directors nominated for election at the Annual Meeting as independent: Ms. Hallett, Lute and Stamp and Messrs. Agnew, Bernlohr, Bolden, Griffin, McNabb and Wulff.

Our Nominating and Governance Committee Charter includes categorical standards to assist the Nominating and Governance Committee in making its determination of Director independence within the meaning of the rules of the

SEC and the Marketplace Rules of NASDAQ. The Nominating and Governance Committee will not consider a Director to be independent if, among other things, he or she:

Was employed by us at any time in the last three years;

Has an immediate family member who is, or in the past three years was, employed by us as an executive officer;

Has accepted or has an immediate family member who has accepted any compensation from us in excess of \$120,000 during a period of 12 consecutive months within the three years preceding the determination of independence (other than compensation for Board service, compensation to a family member who is a nonexecutive employee, or benefits under a tax-qualified retirement plan or nondiscretionary compensation);

Is, was or has a family member who is or was a partner, controlling shareholder, or executive officer of any organization to which we made or from which we received payments for property or services in the current year or any of the past three fiscal years in an amount that exceeds the greater of \$200,000 or 5% of the recipient's consolidated gross revenues for the year;

## CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS

Is or has a family member who is employed as an executive officer of another entity where at any time during the last three years any of the Company's executive officers serve or served on the entity's compensation committee; or

Is or has a family member who is a current partner of the Company's independent registered public accounting firm or was or has a family member who was a partner or employee of the Company's independent registered public accounting firm who worked on the Company's audit at any time during the last three years.

Pursuant to the Nominating and Governance Committee Charter and as further required by NASDAQ rules, the Nominating and Governance Committee made a subjective determination as to each nonemployee Director that no relationship exists which, in the opinion of the Board, would interfere with such individual's exercise of independent judgment in carrying out his or her responsibilities as a Director. As part of such determination, the Nominating and Governance Committee examined, among other things, whether there were any transactions or relationships between AAWW and an organization of which a nonemployee Director or Director Nominee has been a partner, shareholder, or officer within the last fiscal year. The purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that a Director is independent.

### Active and Engaged Board

As part of the Board's ongoing review of the Company's practices and in consideration of specific shareholder feedback, our Board has implemented many compensation, Board and governance enhancements during recent years. The below table provides a summary of these changes.

	2017		2018
--	------	--	------

#### Compensation

**Transition to strict double-trigger standard for all awards**, requiring actual separation from service for second trigger (see page 58)

**Addition of relative TSR performance measure** to LTI awards to further strengthen pay-for-performance alignment (see page 43)

**Enhanced disclosure around LTI performance target setting** (see page 44)

**Increased CEO stock ownership guidelines** to 6x base salary to further align CEO incentives with shareholders (see page 50)

**Revisions to peer group** to reflect appropriate comparators for our growing and evolving global business (see page 47)

**No increase to our CEO's base salary or bonus award opportunity in over five years** (see page 37)

**Compensation member participation in shareholder outreach** (see page v)

#### Board

**Nominated two new directors to the Board in 2018**, with a focus on gender diversity, cybersecurity and banking/finance skills (see page 7)

**Significant changes to Board leadership**, including new Chairman of the Board in May 2017 and ongoing refreshment of Committee Chairs (see page viii)



## CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS

2016 2017

### Compensation

**Increased the weight of corporate performance goals from 50% to 60%** in determining compensation of our NEOs under the AIP

**Enhanced disclosure to clarify rigor of performance goals** under the AIP

**Formalized existing practice of granting equity awards subject to vesting periods greater than one year** by adding minimum vesting language to 2016 Plan

**Engaged a new independent compensation consultant**, Pay Governance

### Board

**Additional Board refreshment** including one new director added in 2017 and two new directors added in 2016

**Adopted limits on Director service on other boards** in keeping with market best practices and investor input regarding a board's time commitment

### Governance

**Added proxy access provisions** to our by-laws

**Added enhanced disclosure of our environmental, social and governance policies**

## Additional Changes Prior to 2016 Annual Meeting

### Compensation

**Reduced CEO LTI award opportunity** from 4.75 multiple of salary to 3.75 multiple of salary in to be better aligned with peer group levels

**Revised CEO LTI award grant level to be targeted at approximately median of peers**

### Governance

**Adopted majority voting to elect Directors in uncontested elections**

### Executive Sessions

The outside members of the Board, as well as our Board Committees, meet in executive session (with no management Directors or management present) on a regular basis, as well as upon the request of one or more outside Directors. The sessions have been generally scheduled and led by the Chairman of the Board, and executive sessions of our committees are chaired by the respective committee chair. The executive sessions include topics the outside Directors or Committee members deem appropriate.

### Communications with the Board

The Board of Directors welcomes input and suggestions. Shareholders and other interested parties who wish to communicate with the Board may do so by mail to the Office of the Secretary, Atlas Air Worldwide Holdings, Inc., 2000 Westchester Avenue, Purchase, NY 10577, or e-mail to [corporate.secretary@atlasair.com](mailto:corporate.secretary@atlasair.com). All communications received by Directors from third parties that relate to matters within the scope of the Board's responsibilities will be forwarded to the Chairman of the Board. All communications received by Directors from third parties that relate to matters within the responsibility of one of the Board committees will be forwarded to the Chairman of the Board and the Chairman of the appropriate committee. All communications received by Directors from third parties that relate to ordinary business matters that are not within the scope of the Board's responsibilities are forwarded to AAWW's General Counsel.





## CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS

### Code of Ethics and Employee Handbook

Our Audit Committee monitors our Code of Ethics applicable to the CEO, Senior Financial Officers and Members of the Board of Directors. The Code includes certain provisions regarding disclosure of violations and waivers of, and amendments to, the Code of Ethics by covered parties. The Code of Ethics is reviewed on an annual basis. Any person who wishes to obtain a copy of our Code of Ethics may do so by writing to the Office of the Secretary, Atlas Air Worldwide Holdings, Inc., 2000 Westchester Avenue, Purchase, NY 10577. A copy of the Code of Ethics is available in the Corporate Background section of our website at [www.atlasair.com](http://www.atlasair.com) under the heading Code of Conduct .

We also have an Employee Handbook and Code of Conduct that sets forth, among other things, the policies and business practices that apply to all employees of any AAWW operating subsidiary in accordance with applicable federal, state and local laws and best practices, with the exception of the pilots of Southern. Southern pilots are currently subject to a separate Employee Handbook that is similar in content to our Employee Handbook and Code of Conduct. We are commencing a comprehensive review of our Employee Handbook and Code of Conduct in 2018 and anticipate having a new single Employee Handbook for all employees of AAWW operating subsidiaries by year-end. The Employee Handbooks address such topics as compliance with laws, moral and ethical conduct, equal employment opportunity, promoting a work environment free from harassment or discrimination, paid time off, work place leaves, the protection of intellectual property and proprietary information, and numerous other personal policies and procedures.

### Environmental, Social and Governance Issues

As a leading global provider of outsourced aviation operating services, we encounter and manage a broad range of environmental, social and governance ( ESG ) issues. We have identified the following ESG issues, by category, as among the most relevant to our business and of highest interest to our key stakeholders:

#### *Environmental:*

**Setting groundwork to participate in CORSIA, the global carbon emissions program** governing international flying starting on January 1, 2021

Our current fleet consists primarily of 747-8F, 747-400F and 777F aircraft, which have **reduced environmental impact and noise, and are modern assets** that we believe are **superior in terms of fuel efficiency**, range, capacity and loading capabilities

Our newer-model -8F aircraft are about **15% more fuel-efficient** than our 400s, which translates into approximately **15% lower carbon dioxide emissions**

The -8Fs are also approximately **30% less noisy** than 747-400 aircraft

**We conserve fuel** wherever possible through our FuelWise fuel management information system, which uses our existing data to analyze fuel consumption performance, enabling us to track fuel-burn rates more accurately and efficiently and to identify additional opportunities to conserve fuel

We work with our customers to plan routes that are **more fuel-efficient**

We participate in industry and governmental initiatives to optimize air traffic management systems, where advances could result in **substantial reductions in fuel use and emissions and fewer interruptions at airports**

Our record on the ground is also very strong, with **no significant spills of fuel, deicing fluids or other liquids**

---

**CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS**

*Social*

We are an Equal Opportunity Employer

We have **affirmative action plans** in place to ensure that qualified applicants and employees are receiving an equal opportunity for recruitment, selection, advancement and every other term and privilege associated with employment with AAWW

We have a **zero tolerance policy for harassment, discrimination or retaliation of any kind in the workplace**

We seek to **attract talented individuals** as employees and to **develop them** to their fullest potential

We also seek to offer our employees **highly competitive compensation and benefit packages** to retain them for the long term

The health and safety of our employees, particularly our crewmembers, is paramount, and **our health and safety track record** reflects this commitment

Our crewmembers and dispatchers are represented by the International Brotherhood of Teamsters, Aviation Division

We **encourage diversity and inclusiveness** in our workforce

We have specific policies in place **prohibiting** human trafficking

We have provided **cost-free charter flights for disaster relief** and have encouraged our employees to **support disaster relief and related activities**

We sponsor fundraising efforts and employee volunteer events for nonprofit organizations such as Junior Achievement (with employees regularly volunteering at socioeconomically disadvantaged area schools) and the American Red Cross, including **Company matches of employee donations**

*Governance*

We are firmly committed to maintaining a **strong corporate governance program**, which reflects best practices

We endorse the concept of Board and Committee **refreshment**, which has resulted in the election of **five new Board members over the last two years** (assuming all nominees are elected at the 2018 Annual Meeting) and the rotation of the Chairman of the Board and the Chairs of our three standing Committees over the last three years

We have a **rigorous and effective Board and Committee evaluation process** in place, which evaluations are conducted internally or by an independent third party. The results and feedback of the evaluations are used to identify areas of future improvement, to update policies and practices, as appropriate, and to help the Board and the Nominating and Governance Committee evaluate future Board nominees to ensure we are adding the proper mix of subject matter expertise and perspectives to the Board

We require our employees to **act responsibly in full compliance** with all applicable laws and standards and to **maintain the highest level of ethical conduct** in their dealings with customers, suppliers and other stakeholders

We provide **recurrent compliance training** to our employees that supports their ability to act responsibly in full compliance with all applicable laws and standards

We are committed to maintaining a **strong control environment** and to making effective controls an integral part of our routine business practices and having effective checks and balances in place so that we can address many issues before they become larger problems

We are committed to **frequent and extensive shareholder engagement**, which has included Board member participation, to learn what issues are important to the owners of your Company

**CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS**

Your Board of Directors is **committed to enhancing shareholder value** and has approved a long-term strategic plan, which is designed to achieve this objective and which is being implemented by senior management under the Board's close supervision

**Compensation of Nonemployee Directors**

The compensation of our nonemployee Directors is reviewed by the Compensation Committee on a periodic basis. In 2017, the Compensation Committee reviewed the current compensation amounts for nonemployee directors in tandem with Pay Governance LLC, the Committee's independent compensation consultant. Based on such review, the Committee determined that the compensatory arrangements currently in place for the nonemployee Directors are reasonably aligned with Company size and that no changes to such arrangements would be made at present.

Compensation for our nonemployee Directors consists of the following:

*Cash Retainer*

Each of our nonemployee Directors receives a \$95,000 annual cash retainer, payable quarterly in advance.

*Equity Compensation Restricted Stock Units*

On the date of our annual meeting of shareholders, each of our nonemployee Directors receives an annual grant of restricted stock units for a number of shares having a value (calculated based on the closing price of our Common Stock on the date of grant) of \$110,000.

The RSUs generally vest and are automatically converted into common shares on the earlier of (i) the date immediately preceding the Company's next succeeding annual meeting of shareholders or (ii) the one-year anniversary of the date of grant.

Nonemployee directors have the option to defer the receipt of common shares resulting from the vesting of their restricted stock units.

*Chairman Position*

The Chairman of the Board receives \$150,000 annually; and

The Chairs of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee receive \$20,000, \$15,000 and \$15,000, respectively, per year.

*Meeting Fees*

Directors do not receive regular meeting fees. However, if more than six meetings of the Board or any Committee occur (determined independently) in any given year, meeting fees are paid at the rate of \$1,500 per meeting (with the Chairman of the Board or the Committee Chair being paid at the rate of \$3,000 for any such meeting).

*Medical, Dental and Vision Care Insurance*

Optional medical, dental and vision care coverage have been made available to certain nonemployee Directors and their eligible dependents on terms and at a premium cost similar to that charged to Company employees. Eligibility for this benefit has ended, but remains in effect for nonemployee Directors whose original participation began in or before 2011.

**CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS**

Certain nonemployee Directors who opt not to stand for re-election to the Board after reaching age 60 and who have 10 or more years of Board service are eligible to participate in the Company's medical plans (at full premium cost to the Director) until they become eligible for Medicare benefits. Eligibility for this benefit has ended, but remains in effect for nonemployee Directors whose original participation began in or before 2011.

*2017 Total Compensation of Nonemployee Directors*

The following table shows (i) the cash amount paid to each nonemployee Director for his or her service as a nonemployee Director in 2017, and (ii) the grant date fair value of restricted stock units awarded to each nonemployee Director in 2017, calculated in accordance with the accounting guidance on share-based payments. Mr. Flynn did not receive any additional compensation for his service as a Director in 2017.

Name	Fees Paid in Cash	Stock Awards	Total
	(\$)	\$( <sup>1</sup> )	(\$)
Robert F. Agnew	180,500	109,998	290,498
Timothy J. Bernlohr	125,500	109,998	235,498
Charles F. Bolden, Jr.	74,250	109,998	184,248
James S. Gilmore III	110,000	109,998	219,998
Bobby Griffin	101,000	109,998	210,998
Carol B. Hallett	120,500	109,998	230,498
Frederick McCorkle	182,000	109,998	291,998
Duncan J. McNabb	110,000	109,998	219,998
John K. Wulff	102,500	109,998	212,498

<sup>(1)</sup> These units vest on the date of the 2018 Annual Meeting. The grant date fair value was \$48.65 per share.

*Nonemployee Directors Outstanding Equity Awards at Fiscal Year-End 2017*

The table below shows outstanding equity awards for our nonemployee Directors as of December 31, 2017. Market values reflect the closing price of our Common Stock on the NASDAQ Global Market on December 31, 2017, which was \$58.65 per share.

Name	Grant Date	Number of Shares or Units of Stocks That have not Vested	Market Value of Shares or Stocks That Have Not Vested
		(#) <sup>(1)</sup>	(\$)
Robert F. Agnew	5/24/17	2,261	132,608
Timothy J. Bernlohr	5/24/17	2,261	132,608



Charles F. Bolden, Jr.	5/24/17	2,261	132,608
James S. Gilmore III	5/24/17	2,261	132,608
Bobby Griffin	5/24/17	2,261	132,608
Carol B. Hallett	5/24/17	2,261	132,608
Frederick McCorkle	5/24/17	2,261	132,608
Duncan J. McNabb	5/24/17	2,261	132,608
John K. Wulff	5/24/17	2,261	132,608

<sup>(1)</sup> These units vest on the date of the 2018 Annual Meeting. The grant date fair value was \$48.65 per share.

## CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS

### Board and Committee Information

Our Board maintains three standing committees, an Audit Committee, Compensation Committee, and Nominating and Governance Committee, each of which has a charter that details the committee's responsibilities. The charters for all the standing committees of the Board of Directors are available in the Corporate Background section of our website located at [www.atlasair.com](http://www.atlasair.com) and by clicking on the Corporate Governance link. The charters are also available in print and free of charge to any shareholder who sends a written request to the Secretary at Atlas Air Worldwide Holdings, Inc., 2000 Westchester Avenue, Purchase, NY 10577.

### Nominating and Governance Committee

The Nominating and Governance Committee currently consists of Mr. McNabb (Chairman), Messrs. Agnew, Bernlohr and Griffin, and Ms. Hallett, each of whom is an independent Director within the meaning of the applicable NASDAQ rules. The principal functions of the Nominating and Governance Committee are to:

Identify and approve individuals qualified to serve as members of our Board;

Select Director Nominees for the next annual meeting of shareholders;

Review at least annually the independence of our Directors;

Oversee our Corporate Governance Principles; and

Perform or oversee an annual review of the CEO, the Board and its committees.

The Nominating and Governance Committee held four in-person meetings and one telephonic meeting in 2017. In addition, a subcommittee of the Nominating and Governance Committee met several times in 2017 and in early 2018 to interview and evaluate candidates for the Board.

#### *Evaluation of Director Nominees and Expansion of the Board*

Our Nominating and Governance Committee is responsible for reviewing and developing the Board's criteria for evaluating and selecting new Directors. The Nominating and Governance Committee's charter sets forth the criteria for skills and characteristics for Directors (see Election of Directors for the qualifications and experience of current Directors). The Nominating and Governance Committee identifies new candidates from a variety of sources, including recommendations submitted by shareholders.

The Nominating and Governance Committee strives to maintain an independent Board with broad and diverse experience and judgment that is committed to representing the long-term interests of our shareholders. New and incumbent Directors are individually evaluated from a skills and characteristics perspective on a number of different factors, including the following traits: high personal standards; the ability to make informed business judgments; literacy in financial and business matters; the ability to be an effective team member; a commitment to active involvement and an ability to give priority to the Company; no affiliations with competitors; achievement of high levels of accountability and success in his or her given fields; experience in the Company's business or in professional fields or other industries or as a manager of international business so as to have the ability to bring new insight, experience or contacts and resources to the Company; no direct affiliations with major suppliers, customers or contractors; and preferably previous public company board experience with good references.

As part of the Nominating and Governance Committee's ongoing evaluation of the Board's composition, in 2017 and early 2018, our Board named Ms. Lute and Ms. Stamps to the slate of the 2018 Director Nominees, which would maintain the size of the Board at 10. Ms. Lute and Ms. Stamps were recommended as Director candidates by the Nominating and Governance Committee following referrals by our current Directors as part of the Nominating and Governance Committee's process for identifying potential Directors. Ms. Lute has notable experience in cybersecurity, information technology, legal, regulatory and government affairs, and military affairs. Ms. Stamps has extensive experience in finance, banking, accounting and risk management, legal, regulatory and government affairs and corporate governance. Both Ms. Lute and Ms. Stamps have executive leadership experience, and both have public-company board experience.

---

## **CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS**

The Nominating and Governance Committee will also consider whether potential Nominees are independent, as defined in applicable rules and regulations of the SEC and NASDAQ. The Board will nominate new Directors only from candidates identified, screened, and approved by the Nominating and Governance Committee. The Nominating and Governance Committee uses the criteria specified above when considering candidates for a Board seat and then searches for candidates that best meet those criteria without limitations imposed on the basis of race, gender, or national origin. The Board will also take into account the nature of and time involved in a Director's service on other boards in evaluating the suitability of individual Directors and making its recommendation to AAWW's shareholders. Service on boards of other organizations must be consistent with our conflict of interest policies applicable to Directors and other legal requirements.

While the Company does not have a formal policy regarding the diversity of its Directors, the Board believes that diversity with respect to gender, ethnicity, background, professional experiences and perspectives is an important element in the Board selection process. Both the Nominating and Governance Committee and the full Board will consider attributes such as race, gender, cultural background and professional experience when reviewing candidates for the Board and in assessing the Board's overall composition. The goal is to achieve a Board that provides effective oversight of the Company through the appropriate balance of diversity of perspectives, experience, expertise, skills, specialized knowledge and other qualifications and attributes of the individual Directors.

Our Nominating and Governance Committee will consider shareholder recommendations for candidates to serve on the Board, provided that such recommendations are made in accordance with the Nominating and Governance Committee's policy on security-holder recommendations of Director Nominees (the Shareholder Nominating Policy), which is subject to a periodic review by the Nominating and Governance Committee. Among other things, the Shareholder Nominating Policy provides that a shareholder-recommendation notice must include the shareholder's name, address, and the number of shares beneficially owned, as well as the period of time such shares have been held, and should be submitted to the Office of the Secretary, Atlas Air Worldwide Holdings, Inc., 2000 Westchester Avenue, Purchase, NY 10577. A copy of our current Policy on Security Holder Recommendation of Director Nominees is available in the Corporate Background section of our website at [www.atlasair.com](http://www.atlasair.com). In evaluating shareholder Nominees, the Board and the Nominating and Governance Committee seek to achieve a balance of knowledge, experience, and capability. As a result, the Nominating and Governance Committee evaluates shareholder Nominees using the same membership criteria set forth above.

### *Corporate Governance Principles*

We annually review our Corporate Governance Principles, believing that sound corporate governance practices provide an important framework to assist the Board in fulfilling its responsibilities. The business and affairs of AAWW are managed under the direction of our Board, which has responsibility for establishing broad corporate policies, setting strategic direction, and overseeing management. An informed, independent, and involved Board is essential for ensuring our integrity, transparency, and long-term strength, and maximizing shareholder value. The Corporate Governance Principles address such topics as codes of conduct; Director nominations and qualifications; Board committees; Director compensation; conflicts and waivers of compliance; powers and responsibilities of the Board; Board independence; serving on other boards and committees; meetings; Director access to officers and other employees; shareholder communications with the Board; annual Board evaluations; financial statements and disclosure matters; delegation of power; and oversight and independent advisors. A copy of our Corporate Governance Principles is available in the Corporate Background section of our website at [www.atlasair.com](http://www.atlasair.com).

### **Audit Committee**

The Audit Committee of the Board of Directors currently consists of five outside Directors: Messrs. Bernlohr (Chairman), Bolden, Gilmore, McNabb and Wulff, each of whom is an independent Director within the meaning of the applicable rules and regulations of the SEC and NASDAQ (see also [Director Independence](#) above). The Board has determined that Messrs. Bernlohr and Wulff are [audit committee financial experts](#) as defined under applicable SEC rules.

**CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS**

The Audit Committee's primary function, as set forth in its written charter (available in the Corporate Background section of our website at [www.atlasair.com](http://www.atlasair.com) under the heading "Audit Committee Charter") is to assist the Board in overseeing the:

Quality and integrity of the financial statements of the Company;

Qualifications and independence of our independent registered public accounting firm;

Performance of the Company's internal audit function and independent registered public accounting firm;

Compliance with legal and regulatory requirements by the Company; and

Effectiveness of the Company's financial reporting process, disclosure practices and systems of internal controls. The Audit Committee is also responsible for overseeing the Company's Code of Ethics (see also "Code of Ethics" above) and related party transactions. The Audit Committee held four in-person meetings and four telephonic meetings in 2017.

*Evaluation of Independent Registered Public Accounting Firm*

As noted above, the Audit Committee assists the Board in overseeing the independent registered public accounting firm's qualifications, independence and performance. The Audit Committee is also responsible for appointing the independent registered public accounting firm and approving, in advance, audit and permitted nonaudit services in accordance with the Committee's preapproval policy (see also "Proposal No. 2" below).

The Audit Committee received from AAWW's independent registered public accounting firm, PricewaterhouseCoopers LLP (PwC), the written communications required by applicable requirements of the Public Company Accounting Oversight Board regarding communications with the Audit Committee concerning independence and satisfied itself as to the independence of PwC.

In addition to PwC's independence, the Audit Committee considered several other factors in deciding whether to reappoint PwC, including the quality of PwC's staff and work; PwC's procedures related to quality control; the communication and interaction with our PwC team; PwC's capability and expertise to perform an audit of a company having the complexity of AAWW's business; the length of time PwC has served as the Company's independent registered public accounting firm; the appropriateness of PwC's fees; and the potential impact of changing our independent registered public accounting firm. As a result, the Audit Committee has selected PwC as the Company's independent registered public accounting firm for the year ending December 31, 2018.

*Audit Committee Report*

AAWW management has responsibility for preparing the Company's financial statements and PwC is responsible for auditing those financial statements. In this context, the Audit Committee has reviewed and discussed AAWW's audited

consolidated financial statements as of and for the fiscal year ended December 31, 2017 with management and with PwC. The Audit Committee discussed with PwC the matters required to be discussed by *Auditing Standard No. 1301 Communications with Audit Committees*.

Based upon its reviews and discussions, including the matters related to PwC's independence, as described above, the Audit Committee recommended, and the Board of Directors approved, that AAWW's audited consolidated financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2017, for filing with the SEC.

THE AUDIT COMMITTEE

Timothy J. Bernlohr, Chair

Charles F. Bolden, Jr.

James S. Gilmore III

Duncan J. McNabb

John K. Wulff

---

## **CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS**

### **Compensation Committee**

#### *Duties and Responsibilities*

The Board's Compensation Committee assists the Board in discharging and performing its duties regarding the compensation of our executives, including our NEOs, executive succession planning, and other matters. The Compensation Committee also is the administrator of our long-term incentive award and annual bonus plans.

The Compensation Committee is also responsible for:

Reviewing, evaluating and establishing compensation plans, programs and policies for, and reviewing and approving the total compensation of, our senior executives at the level of executive vice president and above, including our CEO;

Monitoring the search for, and approving the proposed compensation for, all senior executives at the level of executive vice president and above and periodically reviewing and making recommendations to the full Board regarding the compensation of Directors; and

Retaining and overseeing the independent compensation consultant that provides advice regarding executive and Director compensation matters.

#### *Processes and Procedures*

Following approval of the annual budget, either before or during the first quarter of each year, the Committee establishes the minimum financial performance objective required before any annual incentive award payment may be made, as well as the year's objectives for financial, on-time customer service reliability and individual performance goals and objectives for senior executives. All are taken into account in setting the performance range for each such executive and ultimately in determining the amount of each such executive's annual award payment, if any. The Committee establishes these criteria, with the advice of the independent compensation consultant and outside counsel, as appropriate, after reviewing information submitted to the Committee by the CEO and Chief Human Resources Officer ( CHRO ) (at the request of the Committee). Our CEO and CHRO also provide information to the Committee regarding annual and long-term incentive plans that the Committee considers, with the advice of the independent compensation consultant and outside counsel, in its determination of awards under those plans.

The Compensation Committee is required by its charter to meet at least four times annually. During 2017, the Compensation Committee held four in-person meetings and two telephonic meetings and acted once by written consent. In 2017, the Compensation Committee consisted of four outside Directors, Ms. Hallett (Chair), Mr. Wulff, Mr. Griffin and Mr. McCorkle, each of whom is an independent Director within the meaning of applicable SEC and NASDAQ rules.

#### *Compensation Determination Process*



The Compensation Committee has primary responsibility for determining and approving, on an annual basis, the compensation of our CEO and other executive officers. The Compensation Committee receives information and advice from its independent compensation consultant, as well as from our human resources, finance and legal departments and management to assist in compensation determinations.

#### Role of Independent Compensation Consultant

The Compensation Committee engaged the services of Pay Governance LLC ( Pay Governance ) in 2017, which reported directly to the Committee and provided no other services to the Company or any of its affiliates. For 2017, the Committee assessed the independence of Pay Governance pursuant to the SEC and NASDAQ rules and concluded that no conflict of interest existed that would prevent Pay Governance from independently representing the Compensation Committee.

**CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS**

Pay Governance provides advice and analysis to the Compensation Committee on the design, structure and level of executive and director compensation, and, when requested by the Compensation Committee, attends meetings of the Compensation Committee and participates in executive sessions without members of management present. The independent compensation consultant reports directly to the Compensation Committee, and the Compensation Committee reviews, on an annual basis, the independent compensation consultant's performance and provides the independent compensation consultant with direct feedback on its performance.

Role of Our Senior Executives

While the Compensation Committee has the responsibility to approve and monitor all compensation for our executive officers, management plays an important role in determining executive compensation. Management, at the request of the Compensation Committee, recommends financial goals that drive the business and works with Pay Governance to analyze competitive market data and to recommend compensation levels for our executive officers. Our CEO and CHRO likewise assist the Compensation Committee by providing their evaluation of the performance of our other executive officers and recommending compensation for NEOs other than themselves, including adjustments to annual incentive compensation, based on individual performance. Any individual whose performance or compensation is to be discussed at a Compensation Committee meeting does not attend such meeting (or the applicable portion of such meeting) unless specifically invited by the Compensation Committee, and the CEO is not present during voting or deliberations regarding his compensation.

*The Committee's Risk Assessment of Our Compensation Policies*

The Compensation Committee is aware of the need to routinely assess the Company's compensation policies and practices as they relate to the Company's risk management and whether the structure and administration of the Company's compensation and incentive programs could promote imprudent or excessive risk-taking. With the support of Pay Governance, the Compensation Committee considered the structure and administration of our compensation program and determined that our program is appropriately balanced and does not promote imprudent or excessive risk-taking. Significant factors contributing to their conclusion included:

*Extent of oversight.* The Compensation Committee, with support supplied from members of management, regularly reviews the performance of our compensation plans.

*Governance.* Oversight roles are clearly defined throughout the Company to ensure that pay plans are aligned with business goals and risk tolerances, stress tested under realistic assumptions, and balanced between corporate standards and business-unit autonomy.

*Risk profile and balance within the incentive structure.* Our plans are designed by the Compensation Committee to appropriately balance fixed and variable pay, cash and equity, short- and long-term incentives, and corporate,

business-unit and individual performance goals.

*Plan design.* Our plans are designed to avoid such features as overly steep incentive slopes, unreasonable goals or thresholds that may incentivize unnecessary risk-taking, uncapped payouts, rigidly formulaic awards, undue focus on any one element of compensation, and misaligned timing of payouts and we maintain risk mitigating features including the Compensation Committee's retained discretion with respect to assessing awards, clawbacks, and shareholding requirements.

*Performance metrics.* Performance metrics reflect risk and use of capital, quality and sustainability of results and do not provide an incentive to management to seek short-term results that encourage high-risk strategies designed to exact short-term results at the expense of long-term performance and value. Starting with long-term incentive awards issued in 2018, such awards will contain a direct shareholder-return metric, as described in more detail in the Compensation Discussion and Analysis section.

*Individual Performance and Discretion.* Annual incentive awards are determined, in part, based on the Committee's evaluation of individual performance and contributions. Further, the Committee may exercise a certain amount of discretion in approving final award payouts, which mitigates the potential for inappropriate risk-taking that can result from a strict application of formulaic compensation arrangements.

**CORPORATE GOVERNANCE, BOARD AND COMMITTEE MATTERS**

*Clawback Policy.* The Compensation Committee has adopted a clawback policy, pursuant to which, the Company may seek to recoup certain incentive-based compensation in the event the Company is required to restate its publicly reported financial statements due to material noncompliance with any financial reporting requirement under the securities laws as a result of misconduct.

*Compensation Committee Interlocks and Insider Participation*

No member of our Compensation Committee serves as a member of the Board of Directors or the compensation committee of any entity that has one or more of our executive officers serving as members of the Board or Compensation Committee.

**COMPENSATION DISCUSSION AND ANALYSIS****COMPENSATION DISCUSSION AND ANALYSIS**

Our Compensation Discussion and Analysis (CD&A) describes Atlas Air's executive compensation program, including total 2017 compensation, for our named executive officers listed below:

<i>William J. Flynn</i>	<i>President and Chief Executive Officer</i>
<i>John W. Dietrich</i>	<i>Executive Vice President and Chief Operating Officer</i>
<i>Michael Steen</i>	<i>Executive Vice President and Chief Commercial Officer</i>
<i>Adam Kokas</i>	<i>Executive Vice President, General Counsel, Chief Human Resources Officer and Secretary</i>
<i>Spencer Schwartz</i>	<i>Executive Vice President and Chief Financial Officer</i>

The CD&A and the Executive Compensation Tables are organized as follows:

<b>Section</b>	<b>Subject</b>	<b>Page</b>
	<u>2017 Performance Highlights and Key Achievements</u>	30
	<u>Pay for Performance</u>	31
<b>Overview</b>	<u>Program Design and Say-on-Pay Responsiveness</u>	31
	<u>Pay for Performance in Action</u>	34
	<u>Best Practices and Risk Mitigation</u>	35
	<u>Components of Compensation</u>	37
	<u>Base Salary</u>	37
	<u>Performance-Based Compensation: Annual and Long-Term Incentive Compensation</u>	37

<u>Annual Incentive Program</u>	38
<u>Long-Term Incentive Compensation</u>	41
<u>2016 Transformative Events</u>	46
<u>Peer Group</u>	47
<u>Other Elements of Compensation</u>	49
<u>Additional Compensation Policies</u>	50
<u>Executive Stock Ownership</u>	50
<u>Tax Considerations</u>	50
<u>Equity Grant Practices</u>	50
<u>Clawback Policy</u>	50
<b><u>Compensation Committee Report</u></b>	
<u>2017 Summary Compensation Table</u>	51
<u>2017 Grants of Plan-Based Awards</u>	52
<u>2017 Outstanding Equity Awards</u>	54
<b>Compensation Tables and Explanatory Notes</b>	
<u>2017 Options Exercises and Stock Vested</u>	55
<u>Nonqualified Deferred Compensation</u>	56

<u>Employment Agreements</u>	57
<u>Potential Payments Upon Termination or Change of Control</u>	58

## COMPENSATION DISCUSSION AND ANALYSIS

### Overview

We delivered record volumes, record revenue, and robust earnings growth in 2017, reflecting our growth initiatives and our focus on express, e-commerce and fast-growing global markets.

In 2017, we executed on our strategic initiatives to strengthen and diversify our business mix, expand our customer base, generate cost savings through operating efficiencies, and enhance our portfolio of assets and services. Our results reflected the strength of our ACMI and Charter businesses, growth in our Dry Leasing business, progress in our efficiency and productivity initiatives, and an increase in the average utilization of our operating fleet during the year as we capitalized on the market demand for our aircraft and services.

Performance Metrics <i>(\$ Millions, except for Block Hours)</i>	2017		GAAP Equivalents	
	Results	Percent Change from 2016	2017 Results	Percent Change from 2016
<b>Block Hours</b>	252,802	h 20.1%		
<b>Revenue</b>	\$2,156.5	h 17.2%		
<b>Direct Contribution from Segments</b>				
	\$422.6	h 15.0%		
<b>Free Cash Flow*</b>	\$236.8	h 30.0%	<b>Net Cash Provided by Operating Activities</b>	\$331.7 h 42.9%
<b>EBITDA, as adjusted*</b>	\$428.6	h 12.1%	<b>Income from Continuing Operations, Net of Taxes</b>	\$224.3 h 426.3%



**Adjusted Income from Continuing Operations, Net of Taxes\***

\$133.7

h 17.0%

**Income from Continuing Operations, Net of Taxes**

\$224.3

h 426.3%

\* *Free Cash Flow, EBITDA, as adjusted, and Adjusted Income from Continuing Operations, Net of Taxes, are non-GAAP measures. A reconciliation of such non-GAAP measures to the corresponding GAAP numbers is contained in Exhibit A attached hereto.*

**COMPENSATION DISCUSSION AND ANALYSIS**

*Direct Link between Compensation and Business Strategy*

Our compensation programs are designed to drive achievement of our business strategies and provide competitive opportunities, principally dependent on the successful achievement of performance goals closely tied to Company performance, as exemplified by the features set forth below. Our strong 2017 performance resulted in annual incentive payouts reflecting these extremely positive outcomes.

**Annual Incentives**

Company Performance Metric	NEO Performance Metric
Company Financial Performance - Adjusted Net Income*	Adjusted Net Income
Customer On-Time Performance - Stringent standards specified under customer contracts	Customer On-Time Reliability
Company Business Plan and Strategic Initiatives	Individual Performance Objectives (based heavily on annually set corporate strategic objectives)

**Long-Term Incentives PSUs and Performance Cash**

EBITDA Growth	EBITDA Growth
Return on Invested Capital	Relative Return on Invested Capital
TSR (for awards granted in 2018 and after)	Comparative TSR (for awards granted in 2018 and after)

*\* We use Adjusted Net Income (ANI) to measure our financial results. ANI excludes certain income and expense items that will never impact cash, and provides the best measure of our annual financial results. In addition, as a result of warrant accounting, our diluted shares outstanding fluctuate as a function of our share price throughout the year, making an absolute metric (ANI) more useful for our investors and analysts than a per-share metric.*

***Recent Compensation Program Changes    Responsiveness to Say-on-Pay Result and Shareholder Feedback***

As discussed in the following pages and on page iii, we engage in extensive ongoing shareholder outreach to better understand our shareholders' perspectives and consider ideas for further improvements to, among other things, our executive compensation programs and disclosures. In response to our 2017 Say-on-Pay result, AAWW and its Compensation Committee undertook a particularly robust and multifaceted outreach program during the balance of 2017. These extra efforts included participation by a member of our Compensation Committee in shareholder engagement meetings, and committee members also convened in a number of extra meetings and discussions to demonstrate timely and meaningful responsiveness.

During all shareholder outreach meetings, AAWW sought input on proactively developed proposed changes to our pay program and practices. **In direct response to specific shareholder feedback, we made a number of meaningful, impactful changes to our pay program.** We received many supportive and positive comments on the Company's direction (both from a business growth and governance perspective), the proposed pay program changes and our board rotation/refreshment and outlook, including from several shareholders who voted against Say-on-Pay or individual directors in 2017.

**COMPENSATION DISCUSSION AND ANALYSIS**

*Enhancements to Address Say-on-Pay Outcome and Shareholder Feedback*


The tables below highlights the executive compensation changes made in response to specific shareholder feedback as part of our Compensation Committee’s robust efforts to be responsive to the 2017 say-on-pay outcome, which include board member participation in a number of outreach meetings. These most recent changes are in addition to numerous significant changes to our governance and compensation practices over the last several years.

Topic	What We Heard From Our Shareholders
Amazon acceleration of CEO LTI awards due to retirement eligibility	<p>Strong preference for strict double-trigger awards</p> <p>Helpful to receive clarification that the CEO received no incremental CIC payments and that the CEO received no LTI payouts in 2017</p>
Favorability of relative LTI metrics	<p>Strong support for the addition of a TSR metric with a thoughtful broad comparator group</p>
LTI goal-setting disclosure	<p>An enhancement of disclosure regarding the <b>process</b> of long term incentive goal setting would be helpful. Understand concerns about providing long-term market guidance were AAWW to explicitly disclose long-term incentive metrics.</p>
Share Ownership Guidelines	<p>While current 5x CEO requirement is on market, further enhancement of CEO stock ownership would be viewed favorably</p>
Peer Group	<p>We understand your continued significant revenue growth and your business model are unique and global. Taking into account GICS codes along with other relevant factors when reviewing your peer group makes sense.</p>

**CHANGES MADE IN**

**DIRECT RESPONSE TO FEEDBACK**


**Transition to strict double-trigger standard** for all awards, requiring actual separation from service for second trigger\* (see pages 58 – 60)



**Addition of relative TSR performance measure** to LTI awards to strengthen pay-for-performance link\* (see pages 43 – 45)



**Enhanced disclosure regarding LTI performance target setting** (see page 44)



**Increase CEO stock ownership guidelines** to 6x base salary to further align our CEO's interests with those of our shareholders (see page 50 for additional details and similarly rigorous ownership requirements for our other NEOs and Directors)

**COMPENSATION DISCUSSION AND ANALYSIS**

**Board Refreshment and Rotation**

Two new Director nominees in 2018, with a focus on gender diversity, and the addition of information technology, cybersecurity and financial expertise and the detailed skills matrix (see pages 7,11 and 13), enhancing the Board's overall level of skill and bringing new perspectives to the Board and Committee decision-making processes

Rotated Board and Nominating and Governance Committee chairmanships in 2017

Company performance metrics for our NEOs increased to 60% of weighted performance metrics from 50% effective 2017. Company performance component for our CEO was raised from 50% to 60% effective 2016

Enhanced disclosure to clarify that company performance goals continue to be set at a higher level than actual company performance in prior years

Following a competitive and thorough selection process in 2016, the Compensation Committee retained Pay Governance as its new independent compensation consultant

Annual Bonus

Performance

Metrics

Recent Change in Independent Compensation Consultant

\* Applicable beginning with awards granted in 2018 – outstanding awards granted in 2017 could not be modified retroactively without incurring materially adverse tax consequences under Section 409A of the Internal Revenue Code of 1986, as amended (the Code). This was explained in detail during our shareholder outreach.

***How We Incorporate Pay-for-Performance into Our Compensation Programs***

Our Compensation Committee believes that our compensation practices have played a key role in our steady operating and financial results during transformative growth periods such as those experienced in 2017 and 2016 and challenging times experienced generally in the global freight industry over the recent previous years. Our compensation programs are designed to drive achievement of our business strategies and provide competitive opportunities, principally dependent on the successful achievement of performance goals closely tied to Company

performance. The performance metrics within the executive compensation program are designed to drive the achievement of key business, financial, on-time customer, and operational annual and long-term results, in addition to individual contributions.

The Compensation Committee achieves its pay-for-performance goals by:

Aligning annual incentives with key annual financial, on-time customer reliability, and operating objectives that directly tie to the Company's strategy and holistic approach to achieving success,

Aligning long-term incentive awards with executive retention and our shareholders' interests by basing awards on key Company financial metrics and long-term operating performance,

Balancing pay mix appropriately between fixed and variable pay, short- and long-term pay and performance metrics that are tied to business strategy that aligns with shareholder interests and long-term value creation, including the incorporation of a relative total shareholder return metric into long-term incentive awards beginning with awards granted in 2018.

## COMPENSATION DISCUSSION AND ANALYSIS

### Primary Components of NEO Compensation

The below table summarizes the three primary components of our NEOs' compensation:

Elements of Pay	Form	Links to Performance	Purposes
<b>Base Salary</b>	Cash	Fixed annual compensation	Attract and retain executive talent  Compensate executives for their responsibility, experience, sustained high performance and contributions to Company success
<b>Annual Incentives</b>	Cash	Adjusted Net Income (previously EPS)	Drives key business, operating and individual results on an annual basis (Adjusted Net Income)
		On-time customer reliability metrics	Derived from our annual operating plan (Adjusted Net Income)
		Individual performance objectives	Strictly performance-based against measureable metrics; no payout guaranteed (all metrics)
<b>Long-Term Incentives</b>	Performance Share Units (PSU)	Growth in Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ( EBITDA growth )	Links NEO and long-term shareholder interests  Serves as a key retention tool and a strong long-term performance driver
	and Performance Cash	Return on Invested Capital ( ROIC )	Performance-based against measureable metrics; no payout guaranteed (all metrics)
		Relative Total Shareholder Return ( TSR ) <i>(for awards granted in 2018 and after)</i>	Close alignment to shareholder returns via a relative metric (TSR)



**Specific responsiveness to shareholder feedback and recent Say-on-Pay outcomes**

RSUs	Alignment with shareholder returns	Multiyear long-term retention
		Value tied to share price

*Significant Portion of CEO Compensation Opportunity Performance-Based and/or At-Risk*

We design our CEO's compensation opportunity to be largely performance-based and at-risk. 66.5% of the maximum total CEO compensation opportunity in 2017 was designed to be based on attainment of performance metrics, including approximately 43.5% in the form of long-term multiyear opportunities and 23.0% in annual incentive opportunity. An additional 22.0% of compensation opportunity was granted in the form of RSUs with four-year vesting, resulting in **88.5% of CEO compensation opportunity being at-risk.**

## COMPENSATION DISCUSSION AND ANALYSIS

Our CEO's base salary has not been increased in the past five years, his bonus opportunity has not been increased since 2010 and his long-term incentive opportunity was decreased from a 4.75 multiple of salary to a 3.75 multiple of salary in 2014 to be better aligned with peer group levels. The following charts illustrate our CEO's total compensation opportunity in 2017, as well as the 2017 long-term incentive opportunity for our CEO (assuming payout at maximum levels):

Starting with 2018 CEO compensation design, the addition of a comparative TSR modifier and other changes to performance-based long-term incentive awards results in approximately 75% of compensation opportunity structured to be performance-based.

### 2017 Total CEO Compensation Opportunity

### 2017 CEO's Long-Term Incentive Opportunity

#### *Pay Outcomes Reflect Company Performance*

Our compensation program is structured to be strongly aligned with the performance of the Company, with a significant portion of our NEOs' compensation based upon various performance metrics tied to our annual and long-term incentive plans. The performance metrics are designed to drive the achievement of key business, financial, on-time customer, and operational annual and long-term results, in addition to individual contributions. The performance-based payouts for 2017 demonstrate the Compensation Committee has set rigorous goals that align with the Company's strategy and reflect the performance outcomes over the past few years:

**Annual Incentive (2017):** Payout at 1.76x of Target for our NEOs, reflecting our strong 2017 performance, which included the continued rollout of Amazon aircraft, customer and market growth, synergies realized through integration of Southern, and an increase in adjusted net income of approximately 18%. Please see page 39 for a further discussion of our 2017 annual incentive ( AIP ) payout.

**Performance-Based Long-Term Incentive (for three-year period 2015-2017):** Payout reflecting transformative company growth and attainment of metrics due to 2016 Amazon transaction (see page 45).

#### *Best Practices and Risk Mitigation*

The Compensation Committee is required by its charter to meet at least four times annually. During 2017, the Compensation Committee held four in-person meetings and two telephonic meeting and acted once by written consent. In 2017, the Compensation Committee consisted of four outside Directors, Ms. Hallett (Chair), Mr. Wulff, Mr. Griffin and Mr. McCorkle, each of whom is an independent Director within the meaning of applicable SEC and NASDAQ rules.



**COMPENSATION DISCUSSION AND ANALYSIS**

We maintain stock ownership guidelines, anti-hedging and anti-pledging policies, as further described below and on page 50. All of our NEOs are in full compliance with all of such guidelines and policies. Through our compensation program design and related policies, we pursue the alignment of interests of our executives with those of our shareholders over a multiyear long-term basis and encourage thoughtful and appropriate business risk-taking.

The following table sets forth several of our compensation and corporate governance practices, which were primarily enacted in response to shareholder feedback and which reflect market best practices.

Compensation Practice	AAWW Policy
<b>Strict Double Trigger for All NEO LTI Awards</b>	All awards granted in 2014 or after for NEOs other than the CEO provide for a strict double trigger to vest following a change in control event. For the CEO (whose 2014-2017 awards contained individual provisions relating to his retirement eligibility), starting with awards issued in 2018, in response to shareholder feedback and our recent say-on-pay outcomes, revisions were made to all his long-term awards to require a double trigger a qualifying separation of service for vesting in connection with a change in control.
<b>Significant At-Risk Compensation</b>	More than 88% of total 2017 CEO compensation opportunity was designed to be at risk, with over 66% subject to achievement of pre-established performance goals tied to operational, financial and strategic objectives.
<b>Clawback Policy</b>	Clawback of annual incentive compensation to discourage imprudent risk taking.
<b>No Adjustments for Shareholder Buybacks</b>	Executives' annual incentives do not benefit from share buybacks.
<b>No Change in Control Gross-Ups</b>	Change of control payments are not grossed up for tax purposes.
<b>Extended Vesting Requirements</b>	Time-based equity award agreements generally provide for a four-year vesting schedule (three years starting with awards granted in 2018).
<b>Limited Perquisites</b>	The Company strictly limits perquisites and does not provide for items such as personal use of airplanes, Company-provided autos, and/or auto allowances or club dues.
<b>No Grants of Stock</b>	

**Options**

The Company provides full value equity awards with either performance-based vesting or extended time-vesting requirements and has not granted stock options for many years.

**No Repricing**

Repricing of underwater stock options not allowed.

**No Hedging or Pledging  
of Shares**

Insiders prohibited from engaging in hedging and monetizing transactions involving the Company's securities and from engaging in certain speculative transactions in respect of the Company's securities. No waivers, pre-clearance or exceptions are permitted.

**Risk Management**

Compensation program design does not promote excessive risk-taking.

**Third-Party-Facilitated  
Performance  
Assessment of Board and  
Committees**

In 2017, we engaged an independent third party to facilitate the assessment of the Compensation Committee (as well as the Board as a whole and the other Committees).

## COMPENSATION DISCUSSION AND ANALYSIS

Main Components	Base Salary	2016 Transformative Events	Peer Group	Other Elements	Additional Policies
-----------------	-------------	-------------------------------	------------	-------------------	------------------------

### Discussion of Our Compensation Program

#### *Components of Compensation*

Three primary components for our NEO s compensation include (1) Base Salary, (2) Annual Incentives and (3) Long-Term Incentives. See Primary Components of NEO Composition on page 34 as well as below for additional details on our compensation components.

#### *1. Base Salary*

*Purpose:* Compensate executives for their leadership, management responsibility, experience, sustained high level of performance, and contribution to our success.

*Process for setting salaries:* The amount of any senior executive salary increase has been determined by the Compensation Committee, in consideration of a number of factors, including but not limited to the nature and responsibilities of the position; level of performance of the individual; expertise of the individual; advice of the Compensation Committee s independent compensation consultant, including survey data; and recommendations of the CEO (except regarding his own salary) and the Chief Human Resources Officer (except regarding his own salary).

Salary levels for NEOs are generally reviewed annually by the CEO and the Compensation Committee as part of the performance review process.

**Salary in 2017:** The Compensation Committee made no adjustments to the salary for the CEO. The Compensation Committee has not increased the salary for the CEO in five years.

The Compensation Committee has not increased salaries for the other NEOs since 2014, except in February 2015 for Mr. Steen whose annual base salary was increased by \$20,000 in connection with his promotion to President and CEO of the Company s Titan dry leasing subsidiary, while also retaining his EVP position for AAWW.

The 2017 annual base salary rates for Messrs. Flynn, Dietrich, Steen, Kokas and Schwartz were, respectively, \$1,035,000, \$665,000, \$600,000, \$537,000 and \$525,000.

#### *Performance-Based Compensation: Annual and Long-Term Incentive Compensation*

The Compensation Committee takes a holistic approach to incentive compensation, using a combination of related short- and long-term performance-based incentives to encourage achievement of the Company's annual, as well as longer-term, strategic goals.

*At-Risk Philosophy:*

The Compensation Committee believes that a significant portion of a senior executive's compensation should be at-risk, based upon the Company's financial and operating performance. Performance-based compensation aligns senior executive compensation with our goals for corporate financial and operating performance and encourages a high level of individual performance. For 2017, 66.5% of our CEO's maximum total direct compensation opportunity (base salary and maximum payout opportunity of annual and long-term incentive awards granted in 2017) was performance-based. Beginning in 2018, an even greater portion of our CEO's compensation will be at-risk due to changes to our performance-based long-term incentive awards, described further below including the addition of a TSR modifier.

## COMPENSATION DISCUSSION AND ANALYSIS

Main Components	Annual Incentive Plan	2016 Transformative Events	Peer Group	Other Elements	Additional Policies
-----------------	-----------------------	----------------------------	------------	----------------	---------------------

### 2. Annual Incentive Program

Annual cash incentive compensation awards to our executives are made under our AIP. The AIP is part of the Company's 2016 Incentive Plan. Bonuses are payable based on the achievement of the adjusted net income ( ANI ), on-time customer reliability, and individual business objectives as further described below. As a preliminary matter, the Company must generate a threshold level of ANI for any award to be payable under the AIP.

Each of our executives is assigned a minimum threshold, target bonus opportunity and a maximum bonus opportunity. The 2017 bonus opportunity range for each executive is set forth in the table below:

Executive	Range of Bonus Opportunity	
	Threshold	Target Maximum
Mr. Flynn	75 - 100	200%
Mr. Dietrich	67.5 - 90	180%
Mr. Steen	67.5 - 90	180%
Mr. Kokas	63.75 - 85	170%
Mr. Schwartz	63.75 - 85	170%

#### *How We Set Our AIP Incentive Metrics:*

We base a significant portion of our executives' compensation on the Company's financial and operating performance to align senior executive compensation with our goals for corporate financial as well as operating performance and to encourage a high level of individual performance. The annual metrics upon which our incentive plans are structured are designed to drive, on an integrated basis, the achievement of key business, financial, on-time customer reliability, and operational annual results, as well as to recognize the individual contributions of our executives towards these goals.

In designing the annual incentive awards for our executives, the Compensation Committee considers the Board-approved annual budget, as well as short- and long-term strategic goals, and then designs the annual targets, including adjusted net income, around the Board-approved budget and strategic plan, which is consistent with the **earnings framework that we provide publicly in our related earnings release. As described below, each of our AIP metrics is set at a challenging, rigorous level, which results in payouts only for strong performance.**



## COMPENSATION DISCUSSION AND ANALYSIS

Base Salary	Main Components Annual Incentive Plan	2016 Transformative Events	Peer Group	Other Elements	Additional Policies
-------------	--	-------------------------------	------------	-------------------	------------------------

### *Alignment Between Our Performance, Our Strategy and Our AIP Incentive Metrics:*

Set forth below are the metrics used under our AIP performance incentive plans in 2017 to provide appropriate rewards for prudent risk-taking, key financial performance and objective results in support of our business strategy. In addition, we believe that our performance metrics align and underscore the link between incentive compensation and the successful execution of our business strategy, and reflect our ongoing commitment to a pay-for-performance compensation philosophy.

Annual Incentives		
Company Financial Performance Metrics	Weighting	Link to Company
<b>Adjusted Net Income*</b>	<b>60%</b>	Aligned with the creation of shareholder value and the achievement of objective relevant financial performance targets.
<b>On-time customer reliability</b>	<b>20%</b>	Objective, measurable goals that provide an incentive to management to meet or exceed challenging standards set by our customers in the applicable service agreements (maintaining superior on-time customer reliability is essential to differentiating AAWW from its competitors and strengthening long-term customer relationships).

Individual Performance Metrics		
<b>Individual performance objectives</b>	<b>20%</b>	Tied directly to the annual and long-term goals set in our board-approved annual operating budget and long-term strategic plan, including continuous improvement and cost savings, diversifying our business, and enhancing our financial results.

\*

*We use Adjusted Net Income (ANI) to measure our financial results. ANI excludes certain income and expense items that will never impact cash, and provides the best measure of our annual financial results. In addition, as a result of warrant accounting, our diluted shares outstanding fluctuate as a function of our share price throughout the year, making an absolute metric (ANI) more useful for our investors and analysts than a per-share metric.*

*Note: Detailed quantitative Company financial performance goals for our incentive compensation plans are disclosed for the completed 2017 fiscal year, and due to potential for competitive harm, 2018 goals will be disclosed in next year's Proxy Statement.*

#### *2017 AIP Payout*

Based on strong achievement of our ANI, on-time customer reliability, and individual performance objectives weighted for each executive as set forth immediately above and below, the Compensation Committee determined an AIP payout for 2017 at 1.76x of Target for our NEOs. The 2017 AIP as a percentage of salary for Messrs. Flynn, Dietrich, Steen, Kokas and Schwartz was 176%, 158%, 158%, 150% and 150%, respectively. Actual bonus amounts paid to Messrs. Flynn, Dietrich, Steen, Kokas, and Schwartz under the AIP are included in the Summary Compensation Table for Fiscal 2017 under Non-Equity Incentive Plan Compensation .

***Adjusted Net Income Objective Metric.*** The most heavily weighted performance factor in the 2017 AIP was adjusted net income ( ANI ). For purposes of the AIP, the ANI performance range was (1) a threshold amount of \$94.29 million, (2) \$125.72 million for the target amount, and (3) \$138.29 million representing maximum achievement. For 2017, ANI was \$134.4 million, or 1.69x of target (**making 2017 ANI approximately 18% higher than 2016 ANI**).

**COMPENSATION DISCUSSION AND ANALYSIS**

Base Salary	Main Components Annual Incentive Plan	2016 Transformative Events	Peer Group	Other Elements	Additional Policies
-------------	---------------------------------------	----------------------------	------------	----------------	---------------------

Our ANI target setting under the AIP is designed to be rigorous. The target amount of \$125.72 million in 2017 represented an approximately **10% increase over the Company's actual ANI of \$114.3 million in 2016.**

\* ANI is a non-GAAP measure. A reconciliation to the most directly comparable GAAP measure is contained in Exhibit A attached hereto.

**On-Time Customer Reliability Objective Metric.** An additional objective performance metric that was used to determine 2017 AIP payments was our on-time customer reliability. Our 2017 on-time customer reliability goals are objective, measurable goals that are set to meet or exceed challenging standards set forth in our customer contracts. In 2017, our weighted overall on-time performance was achieved at 1.73x of Target. While such specific goals are customer-specific and proprietary, they are all very aggressive and denote a high level of on-time performance.

**2017 Individual Performance Objectives.** Individual annual performance objectives for our NEOs are reviewed with and approved by the Compensation Committee early in the year, or late in the preceding year, when the Company's operating plan is being approved by the Board of Directors. These individual performance objectives are based in large part on our annual business plan and our long-term strategic plan, including continuous improvement and cost savings, diversifying our business, and enhancing our financial results, among others.

Our Compensation Committee reviewed each NEO's 2017 MBO accomplishments in detail and certified that each of our NEOs exceeded their individual performance objectives, resulting in a 2x Target performance factor.

2017 Individual Performance Objectives for our NEOs included:

Executive / Company Long-Term Strategic Plan Objective	Sample 2017 Performance Objective	Sample 2017 Accomplishment
<b>Mr. Flynn</b>	Support plans to diversify and grow revenue and profitability, including the recalibration of the company's strategic plan	Delivered record revenues an increase of 17% and 20% volume growth
<i>Recalibrate and Execute the Company's Strategic Plan; Develop and Structure</i>		Successfully acquired, converted and on-boarded all 11 required aircraft for

*Corporate Balance Sheet to  
Fund Growth Initiatives*

Continue development of the Atlas fleet Amazon in 2017  
plan to provide for customer growth and  
fleet modernization

**Mr. Dietrich**

Facilitate and lead the integration and  
merger with Southern Air, including  
pursuit of a Single Operating Certificate  
( SOC )

Successfully integrated Southern Air into  
Atlas on time and on budget, achieving  
transactional synergies well beyond the  
business case

*Execute Strategic Plan;  
Implement Long-Term Labor  
Strategy*

Execute against the Company's long-term  
strategic plan with respect to Amazon

Completed all critical SOC requirements  
and positioned to implement SOC at  
Company discretion

Oversaw and managed the operational  
implementation of the Amazon network,  
including crew training, station start-ups,  
aircraft conversion and on-boarding of the  
11 Amazon aircraft in 2017

## COMPENSATION DISCUSSION AND ANALYSIS

Base Salary	Performance-Based Incentives	2016 Transformative Events	Peer Group	Other Elements	Additional Policies
-------------	------------------------------	----------------------------	------------	----------------	---------------------

Executive / Company	Long-Term Strategic Plan Objective	Sample 2017 Performance Objective	Sample 2017 Accomplishment
<b>Mr. Steen</b>	<i>Strategic Plan and Business Development; Develop and Implement Titan Growth Plan</i>	Identify, engage and realize opportunities to expand scope and drive growth of company operations and footprint	Achieved record placements 10 placements with 7 new customers
		Develop and execute specific fleet-type strategies to support growth of Titan business	Delivered record Titan revenues of \$119M in 2017 (vs. \$105M in 2016)
<b>Mr. Kokas</b>	<i>Facilitate Growth Initiatives; Develop Organization to Deliver the Strategic Plan</i>	Successfully manage Amazon ramp-up	Provided legal advice, led negotiations and created documentation relating to various Amazon agreements and relationship development, including overseeing transactions relating to delivery of 11 aircraft and securing of 20 (plus spare) total
		Achieve key recruiting and retention assignments to support growth plan	Oversee talent management, employee engagement, diversity and inclusion initiatives relating to existing employees and over 15% increase in ground and crew new-hires in 2017.
<b>Mr. Schwartz</b>	<i>Recalibrate and Execute the Strategic Plan to Enhance Shareholder Value; Develop and Structure the Balance Sheet to Fund Growth Initiatives</i>	Develop the Atlas fleet plan and determine financing initiatives to address growth while maintaining a strong balance sheet	Supported the recalibration of the strategic plan, with a focus on express, e-commerce and fast-growing global markets
		Support plans to diversify and grow revenue and profitability, including the recalibration of the company's strategic plan	Executed convertible note issuance and several financing facilities to fund aircraft additions at very low interest rates

Delivered annual Southern Air synergy savings higher than previously anticipated

### ***3. Long-Term Incentive Compensation***

During 2017, the Compensation Committee made long-term incentive grants to our NEOs in the form of performance share units, performance-based cash awards, and time-based restricted stock units.

#### *Long-Term Incentive Awards*

The total long-term incentive grant in a given year is based on a multiple calculated as a percentage of base salary. For the CEO, the multiple is based on his actual base salary and for the other NEOs and other executives, the multiple is based on an average base salary for all executives at a particular level (for example Executive Vice President, Senior Vice President or Vice President). The multiple is converted into an aggregate LTI plan award opportunity dollar amount, and for 2017 awards, which, consistent with prior years, is then converted into a target number of RSU and PSU awards using the average closing price for the 30 trading days ending on February 28, 2017, trailing the grant date.

## COMPENSATION DISCUSSION AND ANALYSIS

Main Components	2016 Transformative Events	Peer Group	Other Elements	Additional Policies
Long Term Incentives				

For 2017, the LTI award consisted of three-year performance stock units and performance cash awards and four-year vesting restricted stock units, all as more fully described below. The weighting mix of the LTI components were as follows:

Performance at time of grant: (1) Time-vesting Restricted Stock Units 50%, (2) Performance Stock Units 25% (target level) and (3) Cash 25% (target level)

At a possible future maximum payout of our performance-based LTI: (1) Time-vesting Restricted Stock Units 33%, (2) Performance Stock Units 33% and (3) Performance Cash 33%.

Assuming achievement at maximum performance opportunity, the performance share units and performance cash units together would pay at two-thirds of the value of the overall award grant.

### *How We Set Our LTI Incentive Metrics:*

Long-term performance incentives are directly linked to Company long-term strategic initiatives that are intended to enhance shareholder long-term interests – currently, EBITDA growth and Average ROIC. Starting with awards granted in 2018, our performance LTI includes a TSR metric.

In designing the long-term incentive awards for our executives, the Compensation Committee considers the Board-approved business plan, as well as long-term strategic goals, and designs long-term incentive targets, including Average ROIC and EBITDA growth. We believe that most of our executives' total compensation should be at risk and that a significant portion of their total compensation should be equity-based, providing a strong alignment between the senior executives' compensation and shareholders' interests.

Our long-term business strategy contemplates initiatives that enhance our organizational and operating capabilities, generate additional operating efficiencies, broaden our portfolio of assets and services, and diversify our business mix.

## COMPENSATION DISCUSSION AND ANALYSIS

### *Link Between Our Performance, Our Strategy and Our LTI Incentive Metrics:*

Set forth below are the metrics used under our long-term performance incentives in 2017 to provide appropriate rewards for prudent risk-taking, key financial performance and objective results in support of our business strategy. In addition, we believe that our performance metrics align and underscore the link between incentive compensation and the successful execution of our business strategy, and reflect our ongoing commitment to a pay-for-performance compensation philosophy.

Long-Term Incentives		
Performance Metrics	Weighting	Rationale
<b>EBITDA growth</b>	<b>50%</b>	<p>Encourages management to pursue long-term profit potential and cash flow opportunities and is consistent with achievement of the Company's long-term strategic goals.</p> <p>Used for companies in industries like ours that require significant upfront financial investments. EBITDA growth is an appropriate measure of underlying profit potential and an indicator of operating cash flow.</p>
<b>Average ROIC</b>	<b>50%</b>	<p>Drives growth and profitability through the efficient use of our capital and encourages prudent risk-taking.</p> <p>Used because the Company's strategic plan involves a significant investment program in its aircraft fleet, and the ability of the Company to manage its balance sheet to generate returns is an important measure to investors.</p>
<b>Relative TSR modifier</b> ( <i>effective beginning with 2018 awards</i> )	<b>±20% adjustment based on relative performance against comparator group</b>	<b>Direct result of shareholder feedback following 2017 Say-on-Pay result.</b>



*Adds relative metric to our LTI in accordance with shareholder feedback. (Company 3-year share performance compared to S&P SmallCap 600 Index companies)*

*Further aligns compensation with shareholder returns and value*

## COMPENSATION DISCUSSION AND ANALYSIS

Main Components	2016 Transformative Events	Peer Group	Other Elements	Additional Policies
Long Term Incentives				

*We have not disclosed the 2017 specific EBITDA growth and Average ROIC targets for the three-year performance period because they represent confidential, commercially sensitive information that we do not disclose to the public and that could cause competitive harm if known in the marketplace. Both EBITDA growth and Average ROIC targets, as well as the factors that influence these measures, such as revenue and efforts to control costs, are inherently competitive and, if disclosed, would provide valuable insight into areas of focus for the Company. The Compensation Committee sets the EBITDA growth and Average ROIC goals at a level that it believes would be challenging but possible for the Company to achieve. **In the interest of providing as much disclosure as appropriate to aid shareholders in assessing the rigor of our LTI metrics, below is a detailed description of our LTI goal-setting process:***

### *Additional Information on Long-term Incentive Goal Setting:*

The performance LTI grant has three separate goals for both the EBITDA Growth and Average ROIC metrics Threshold, Target, and Maximum. The Threshold values are set at levels the Compensation Committee believes are reasonably achievable, to motivate and support retention objectives. The Target values are set at levels that are expected to be difficult, but attainable. The Maximum levels require outstanding performance resulting from stronger than forecasted market growth and stretch by management to capitalize on that growth. Threshold levels for both the EBITDA Growth and Average ROIC metric of the 2017 grant were set at or above the Threshold levels of the 2016 grant.

The performance goals for the 2017 – 2019 performance period were established during the first quarter of 2017. When establishing the performance goals for the 2017 grant, the Compensation Committee took into account the Federal Reserve’s real GDP growth outlook, commentary from the Organization for Economic Cooperation and Development (OECD), and freight-tonne kilometer (FTK) forecasts from the International Air Transport Association (IATA). The Committee used those inputs as a primary set of guidelines when establishing the goals, which are further described below. OECD is an inter-governmental economic organization with 35 member countries that was founded to stimulate world trade and economic progress, and IATA is a global organization of airlines; since we are an airline with global reach, these entities’ forecasts provide a reasonable and balanced prediction of macro-economic trends against which to measure our performance and these forecasts are considered by AAWW (and often shareholders) when considering potential long term performance.

### EBITDA Growth:

**Threshold** – Set at a level consistent with the OECD outlook and in excess of the Federal Reserve outlook

**Target** – Set consistent with the IATA FTK growth estimate and in excess of the US and OECD outlooks

Maximum Growth well beyond industry and economist projections  
Average ROIC:

Threshold Slightly above Atlas weighted average cost of capital

Target Meaningfully above Atlas weighted average cost of capital

Maximum Significantly above Atlas weighted average cost of capital

**Our long-term incentive performance metrics relate to key Company long-term strategies and provide substantial payouts only upon achievement of exceptional performance.**

At the end of the three-year period, the awards vest based on a performance matrix ranging from no vesting if the Company's performance is in the bottom quintile of both EBITDA growth and Average ROIC metrics to 2x target vesting if performance on both metrics is in the top quintile. Target vesting (100% of the award) is achieved if the

## COMPENSATION DISCUSSION AND ANALYSIS

Main Components	2016 Transformative Events	Peer Group	Other Elements	Additional Policies
Long Term Incentives				

Company's performance is at the target level. **Starting with awards granted in 2018, performance LTI awards will be further subject to a comparative total shareholder return ( Comparative TSR ) modifier, based on AAWW share price performance during the three-year performance period relative to the component companies of the S&P 600 SmallCap Index.** The Comparative TSR modifier will be applied to the vesting percentage determined based on the achievement of the EBITDA growth and Average ROIC metrics and could increase or decrease that vesting percentage by up to 20%. **However, no upward modification will be made in the event the absolute total shareholder return is negative, even if the Comparative TSR performance achieved would have provided for an upward adjustment.**

***Payout of 2015-2017 Performance LTI Awards.*** In the first quarter of 2018, the Compensation Committee reviewed AAWW's performance over the three-year performance period ended December 31, 2017 for grants made in 2015. The performance metrics for these awards were EBITDA growth and three-year average ROIC applied on an absolute basis. Performance LTI payouts for the 2015-2017 performance period were made in early 2018 for our NEOs other than our CEO Mr. Flynn, whose retirement eligibility entitled him to an accelerated payout in September 2016 due to the Amazon transaction. 2015-2017 Performance LTIs were paid at twice the target level due to the triggering of certain change in control provisions set forth in the Performance LTI as a result of our 2016 transaction with Amazon. **All of such performance awards (except for Mr. Flynn's 2017 awards due to the inability to make retroactive amendments without naming materially adverse tax consequences) provided for such payout not at the time of a change in control but following the completion of continued employment during the scheduled performance period following any such change in control to provide retention incentives to key employees while appropriately adjusting for the changed performance environment.**

### *Performance-Based Share Units*

*Performance share units*, or PSUs, are paid in AAWW common shares upon vesting. Key characteristics of the PSUs granted in 2017 are as follows:

Pays only if the Company achieves, over a three-year period, rigorous preset objective financial targets measured as compared to comparative financial targets for a peer group.

Subject to the following financial metrics for the 2017 grant: EBITDA growth and ROIC.

The grant date value is reported in the Summary Compensation Table, but actual value (if any) will not be realized by the NEOs until the three-year period ends and then only if the awards meet applicable performance criteria.

### *Cash-based Long-Term Incentive Awards*

*Cash-based long-term incentive awards* are paid at the end of a three-year performance period. Key characteristics of the cash-based long-term incentive awards are as follows:

Pays only if the Company achieves, over a three-year period, rigorous preset comparative financial targets.

Subject to the following financial metrics for the 2017 grant: EBITDA growth and ROIC.

*Restricted Stock Units*

*Restricted stock units*, or RSUs, are paid in shares of Common Stock and have the following key characteristics:

Vest annually on the anniversary of grant date over a four-year period.

Align economic interests of management with long-term shareholders.

## COMPENSATION DISCUSSION AND ANALYSIS

Main Components	2016 Transformative Events	Peer Group	Other Elements	Additional Policies
Long Term Incentives				

RSUs are designed to attract and retain executives by providing them with (1) stock ownership during the applicable vesting period, and (2) a strong incentive to remain with the Company until at least the applicable vesting period ends. In addition, our stock ownership guidelines described below encourage continued alignment between NEOs and other executives and our shareholders.

### 2016 Transformative Events Impacting CEO Compensation in 2016

2016 was a truly historic and transformative year for the Company, with an immediately accretive acquisition of a competitor, Southern Air, that expanded our fleet into the 737 and 777 operating platforms, followed shortly by a transaction with Amazon that was approved by over 99% of shareholders. Due to long-standing arrangements with our CEO at the time relating to his retirement eligibility, payouts of certain then-outstanding long-term incentive awards were accelerated in 2016 due to a deemed change of control related to the transaction with Amazon. **No incremental payments were made to any of our NEOs, including our CEO, as a result of the Amazon transaction.** As set forth in the Summary Compensation Table, the acceleration resulted in an extraordinary one-time increase in the reportable amount of our CEO's 2016 total compensation value; **2017 reportable compensation for Mr. Flynn is consistent with historical levels, approximately 45% of the 2016 reportable value.**

**Mr. Flynn did not receive any LTI vesting or payouts in 2017 due to the 2016 payouts.**

## COMPENSATION DISCUSSION AND ANALYSIS

Main Components	2016 Transformative Events	Peer Group	Other Elements	Additional Policies
Long Term Incentives				

### Peer Group

#### *Carefully Analyzed and Revised Peer Group to Aid Our Compensation Decisions*

Our Compensation Committee, together with its independent compensation consultant, periodically reviews relevant competitive market pay data for executives in our industry and similar industries. The Committee identifies a core group of companies, used to periodically assess the Company's compensation levels and practices, as one factor in the compensation-setting process. This year, as part of the slate of proactive, shareholder-favored executive compensation program changes made in response to our 2017 say-on-pay result, our Compensation Committee worked with its independent compensation consultant over the course of many months to refine our peer group.

The Compensation Committee believes that identification of peers using a broad industry sector code is inadequate and does not establish similarity of operations and business models, nor adequately represent past, current and future competitors for managerial talent, factors the Compensation Committee considers in the selection of companies for these purposes.

Given the global nature and structure of our business, we believe it is critical to recruit and retain executives with a breadth of experience in global markets. A significant portion of our revenue is derived from companies and business activity based outside of the United States, including those of our unconsolidated subsidiary, Polar Air, which is operated by our leadership team. In 2017, we operated 48,983 flights, serving 422 destinations in 103 countries.

For peer comparison purposes, AAWW's revenue includes its subsidiary Polar's revenue.

AAWW holds a 75% voting interest and 51% economic interest in Polar.

Polar operates a fleet of 747 and 767 freighters in time-definite, airport-to-airport scheduled air cargo service to North America, Asia, Europe and the Middle East.

Mr. Flynn serves as Chairman, CEO and President, Mr. Dietrich serves as Executive Vice President and Chief Transportation Officer and Mr. Kokas serves as Executive Vice President, General Counsel, Chief Human Resources Officer and Assistant Secretary of Polar. As executive officers of Polar, Messrs. Flynn, Dietrich and Kokas have significant Polar-related executive, operating and administrative responsibilities. In addition, Messrs. Flynn, Dietrich, Kokas and Schwartz are members of the Polar board of directors, with Mr. Flynn as Chairman. Because AAWW controls the voting interests of Polar and many of AAWW's NEOs serve in executive positions at Polar for the benefit of both AAWW (as majority owner of Polar) and Polar, we believe including Polar's revenues with AAWW's for purposes of peer group comparisons is appropriate.

For 2017, our peer group includes companies that are, in comparison to AAWW:

Comparably sized as measured by revenue, with median revenue peer group in 2017 of \$2.1 billion, and with revenues that range from 0.16x to 2.56x of AAWW's revenue. (AAWW's 2017 revenue (i) was approximately \$3.0 billion, including approximately \$823 million from Polar and (ii) estimated at \$3.2 billion in 2018, inclusive of Polar revenue).

Operate and compete for business and talent in similar industries, including transportation, logistics and aerospace services industries.



**COMPENSATION DISCUSSION AND ANALYSIS**

Main Components of Components	2016 Transformative Events	Peer Group	Other Elements	Additional Policies
-------------------------------	----------------------------	------------	----------------	---------------------

Our 2017 peer group is comprised of the following companies:

Company	Description	Revenue for FY2017 (\$ in millions)
AAR Corp.	<i>Provider of aviation services to the worldwide commercial aerospace and government/defense industries</i>	\$1,902.1
Alliant Techsystems Inc. (nka: Orbital ATK, Inc.)	<i>Aerospace, defense, commercial products</i>	4,764.0
Barnes Group Inc.	<i>Aerospace and industrial manufacturer</i>	1,436.5
Bristow Group Inc.	<i>Offshore helicopter transport services</i>	1,422.7
Curtiss-Wright Corp.	<i>Engineered, technologically advanced products and services</i>	2,271.0
Echo Global Logistics, Inc.	<i>Technologically enabled business process outsourcing</i>	1,943.1
Esterline Technologies Corp.	<i>Aerospace and defense manufacturer</i>	2,026.8
GATX Corporation	<i>Railcar leasing</i>	1,376.9
Hexcel Corporation	<i>Industrial manufacturer</i>	1,973.3
Kansas City Southern	<i>International transportation</i>	2,582.9
Park-Ohio Holdings Corp.	<i>Industrial supply chain logistics and diversified manufacturing industries</i>	1,412.9
Rockwell Collins, Inc.	<i>Avionics and information technology systems and services provider</i>	7,640.0
Ryder System, Inc.	<i>Truck rental, supply chain and fleet management services</i>	7,329.6
Spirit Aerosystems Holdings, Inc.	<i>Aero structures manufacturer</i>	6,983.0
Teledyne Technologies, Inc.	<i>Provider of enabling technologies for industrial growth markets</i>	2,603.8
Tidewater Inc.	<i>Large offshore service vessels to global energy industry provider</i>	490.9
TransDigm Group Inc.	<i>Commercial and military aerospace components manufacturer</i>	3,552.7
Trinity Industries, Inc.	<i>Transportation, construction and industrial products manufacturer</i>	3,662.8
<b>Median Revenue of Peers*</b>		<b>\$2,148.9</b>
Atlas Air Worldwide Holdings, Inc.		2,983.3

\*B/E Aerospace Inc. was acquired by Rockwell Collins, Inc. in April 2017 and is no longer part of our peer group.

**48** | Atlas Air Worldwide Holdings, Inc. *2018 Notice & Proxy Statement*

**COMPENSATION DISCUSSION AND ANALYSIS**

Main Components of Components	2016 Transformative Events	Peer Group	Other Elements	Additional Policies
-------------------------------	----------------------------	------------	----------------	---------------------

During 2017, the Compensation Committee engaged Pay Governance to review the current peer group to ensure the group aligned with our current business model, included companies with which AAWW competes for executive talent, business and capital, and appropriately accounted for the Company's continued revenue growth. To be included in the peer group, the following considerations were used:

Russell 3000 companies and current peers and proxy advisory firm peers

GICS/SIC codes for select industries for all: Aerospace & Defense, Air Freight & Logistics, Road and Rail

GICS/SIC codes for select industries for peers: Airlines, Machinery, Trading Companies and Distributors

Revenue between \$0.75 and \$6.0 billion

Market Capitalization between \$0.5 and \$6.0 billion

Assets between \$1 and \$10.0 billion

Capital intensity greater than 0.75

Beginning in 2018, the Committee will utilize the revised peers (which include the addition of Aerojet Rocketdyne Holdings, Inc., Air Transport Services Group, Inc., BWX Technologies, Inc., Cubic Corp., Engility Holdings, Inc., Genesee & Wyoming Inc., Hawaiian Holdings Inc., KLX Inc., Moog Inc., Triumph Group Inc., Werner Enterprises, Inc., and Wesco Aircraft Holdings, Inc.) for plan design and benchmarking (if the Committee chooses to do so).

The following companies were removed: Bristow Group Inc., Kansas City Southern, Orbital ATK, Inc., Rockwell Collins Inc., Ryder System, Inc., Spirit Acrosystems Holdings, Inc., Tidewater Inc., Transdigm Group Inc., and Trinity Industries Inc.

As a secondary source and broader group, the Committee may also refer to the S&P SmallCap 600 or S&P Composite 1500 indices as additional reference points.

**Other Elements of Compensation**

*Other Benefits and Limited Perquisites*

We provide our executives with common benefits, which include health insurance (including certain limited retiree health benefits), severance benefits commensurate with position, 401(k) plan participation, and a retirement restoration program. The Compensation Committee believes that perquisites should be limited and not broad-based. Such perquisites are limited principally to financial counseling and limited travel-related benefits, including limited tax reimbursement payments related thereto. Details concerning these perquisites can be found in the footnotes to the 2017 Summary Compensation Table below.

#### *Retirement Plans*

In addition to the Company's 401(k) plan, the Company maintains the 401(k) Restoration and Voluntary Deferral Plan (the Retirement Restoration Plan) for employees holding the title of Executive Vice President or higher. This plan is a nonqualified deferred compensation plan intended to make eligible employees whole for compensation limits imposed under our 401(k) plan. Under the retirement restoration plan, a participant is eligible to make elective deferrals and to receive employer credits equal to 5% of eligible compensation in excess of the limits described in Sections 401(a)(17) and 402(g) of the Code. Initial employer credits vest upon the third anniversary of the executive's initial eligibility for the plan, and all employer credits after such anniversary are fully vested. Deferrals and employer credits are credited with notional earnings equal to the prime interest rate until distributed on the earliest of (i) the participant becoming disabled, (ii) the participant's separation from service (including death), or (iii) a change of control of the Company.

Under our Benefits Program for Senior Executives, employees holding the rank of Executive Vice President or above would become retirement-eligible upon attaining age 60 and 10 years of service. Of our NEOs, only Mr. Flynn is currently retirement-eligible, and no other NEO is retirement-eligible for several years. Please see pages [54-56] for further detail regarding provisions relating to Mr. Flynn's retirement eligibility.

## COMPENSATION DISCUSSION AND ANALYSIS

Main Components  
of Components

2016 Transformative Events

Peer Group

Other Elements

Additional  
Policies

### *Additional Compensation Policies*

#### *Executive Stock Ownership*

In support of the Board philosophy that performance and equity incentives provide the best incentives for our NEOs and other members of management and promote increases in shareholder value, the Board monitors compliance with Stock Ownership Guidelines (the Guidelines) covering all Directors, NEOs, and certain other executives. Such guidelines include both stock ownership and recommended stock holding periods as described below. The Guidelines require executives to achieve certain levels of share ownership over a five-year period based on the lesser of a percentage of annual base salary or a fixed number of shares.

Current target share ownership levels for the Directors and the NEOs under the Guidelines are generally based on the lesser of: (1) 4x annual base cash retainer, or 7,500 shares, for independent Directors, (2) 6x base salary, or 120,000 shares, for the CEO, (3) 3.5x base salary, or 40,000 shares, for the Chief Executive Officer of Titan (currently, Mr. Steen) and the President of Atlas Air (currently, Mr. Dietrich,) and (4) 3x base salary, or 30,000 shares, for other executive vice presidents.

All of our Directors and NEOs are in full compliance with the requisite Common Stock ownership levels set forth in the Guidelines.

#### *Tax Considerations*

Section 162(m) of the Code, as in effect for 2017, restricts the deductibility for federal income tax purposes of the compensation paid to the CEO and each of the other NEOs who was an executive officer at the end of the applicable fiscal year (other than our Chief Financial Officer) for such fiscal year to the extent that such compensation for such executive exceeds one million dollars and does not qualify as qualified performance-based compensation as defined under Section 162(m) of the Code. The Compensation Committee historically considered available opportunities to deduct compensation paid to NEOs for U.S. federal income tax purposes. The Tax Cuts and Jobs Act, which was enacted on December 22, 2017, eliminated the exception for performance-based compensation and expanded the number of executives to which the 162(m) limit may apply. As a result, except to the extent provided in limited transition relief, compensation over one million dollars paid to any named executive officer will no longer be deductible under Section 162(m) of the Code. The Compensation Committee reserves the right to provide compensation to our executives that is not deductible, including but not limited to when necessary to comply with contractual commitments, or to maintain the flexibility needed to attract talent, promote retention, or recognize and reward desired performance.

#### *Equity Grant Practices*

The Compensation Committee generally grants equity awards to NEOs in the first quarter of each year. The Compensation Committee does not have any programs, plans or practices of timing these awards in coordination with the release of material nonpublic information. In fact, such awards are granted a week or more following the filing of the Company's 10-K and the related issuance of its earnings release. We have never backdated, re-priced, or spring-loaded any of our equity awards.

*Clawback Policy*

We have had a compensation clawback policy since 2014, in order to enhance the alignment of our compensation program features with best practices and consistent with feedback received from our shareholders. Our clawback policy permits us to seek to recover certain amounts of annual cash incentive compensation awarded to any executive officers on or after February 2014 if payment of such compensation was based on the achievement of financial results that were subsequently the subject of a substantial restatement of our financial statements due to material noncompliance and the executive officer's intentional misconduct after February 2014 that contributed to higher amount of cash incentive compensation received.

**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Committee Report**

*Letter to the Shareholders from the Board of Directors*

In managing the Company, our entire Board of Directors seeks to achieve long-term, sustainable performance and create value through a well reasoned long-term strategic plan, prudent risk management, effective corporate governance practices and executive compensation programs, and well-functioning talent and succession planning. Please see *Letter to the Shareholders from the Board of Directors* appearing at the beginning of this Proxy Statement.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis section with senior management. Based on this review, the Compensation Committee recommends to the Board of Directors that the Compensation Discussion and Analysis section be included in this proxy statement.

THE COMPENSATION COMMITTEE

Carol B. Hallett, Chair

Bobby J. Griffin

Frederick McCorkle

John K. Wulff

**2017 SUMMARY COMPENSATION TABLE****Compensation Tables and Explanatory Notes***2017 Summary Compensation Table*

As described in the Compensation Discussion and Analysis Overview section of this Proxy Statement, based on our extensive shareholder outreach over the last several years, and to address our recent Say-on-Pay outcomes, we have made numerous changes to our compensation programs, while maintaining and enhancing our pay for performance philosophy and ensuring that these programs do not promote excessive risk taking. Please read the Compensation Discussion and Analysis Overview appearing on pages 30-36 of this Proxy Statement, along with the remainder of the Compensation Discussion and Analysis section on pages 37-50 and the material presented below.

The following table provides information concerning compensation for our NEOs during fiscal year 2017:

Name and Principal Position	Year	Non-Equity Incentive						Total
		Salary	Bonus	Stock Awards	Option Awards	Plan Compensation	All Other Compensation	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(j) (*)
<b>William J. Flynn</b> <b>President and Chief Executive Officer</b>	2017	1,035,040		2,973,791		1,821,639	194,974	6,025,444
	2016	1,035,040		2,717,144		9,112,626	622,977	13,487,787
<b>John W. Dietrich</b> <b>Chief Operating Officer</b>	2015	1,035,040		2,940,674		2,028,600	203,570	6,207,884
	2017	665,026		1,689,468		1,053,383	188,711	3,596,588
	2016	665,026		1,543,654		4,873,328	188,753	7,270,762
	2015	665,026		1,670,631		1,173,060	155,044	3,663,761
<b>Michael T. Steen</b> <b>Chief Commercial Officer</b>	2017	600,023		1,689,468		950,421	177,755	3,417,667
	2016	600,023		1,543,654		4,786,044	179,606	7,109,328
	2015	600,023		1,670,631		1,058,400	119,361	3,448,415
<b>Adam R. Kokas</b> <b>General Counsel and Chief Human Resources Officer</b>	2017	537,021		1,388,821		803,369	164,280	2,893,491
	2016	537,021		1,268,939		4,363,036	158,273	6,327,269
	2015	537,021		1,515,846		894,642	113,411	3,060,920
<b>Spencer Schwartz</b> <b>Chief Financial Officer</b>	2017	525,020		1,388,821		785,417	177,415	2,876,673
	2016	525,020		1,268,939		4,347,817	157,113	6,298,889
	2015	525,020		1,515,846		874,650	118,061	3,033,577

*Summary Compensation Table Notes*



*Column (e) Stock Awards*

The amounts included reflect the grant date fair value of stock awards, computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures and with performance awards valued based on the probable outcome of performance conditions. For more information about the assumptions used in valuing these awards, see Note 15 in our Annual Report on Form 10-K and footnote (5) to the *Grants of Plan-Based Awards* table below. Stock awards for 2017 reflect the aggregate grant date fair value of (i) time-based restricted stock units vesting over four years and (ii) performance share units for the three-year performance period ending December 31, 2019 (see pages 41-45 for a discussion of the methodology followed by the Compensation Committee to determine the number of performance share units awarded) assuming target level performance. Performance share units are settled in shares of Common Stock at 0% to 200% of target based upon AAWW's EBITDA growth and average ROIC performance relative to internal targets over such three-year performance period. Assuming that the performance share units are paid at the maximum level, the aggregate dollar values of restricted stock unit and performance share unit awards for 2017 (based on the closing price of our Common Stock on the date of grant) would be \$2,973,791 for Mr. Flynn, \$1,689,468 for Mr. Dietrich and Mr. Steen and \$1,388,821 for Mr. Schwartz and Mr. Kokas.

**2017 SUMMARY COMPENSATION TABLE***Column (g) Non-Equity Incentive Plan Compensation*

Reflects cash payments made under the AIP Program, a subplan of our 2016 Incentive Plan, as well as the value of the NEOs' cash-based long-term incentive awards. The performance goals for the cash-based long-term incentive awards granted in 2016 and 2015, were deemed satisfied at maximum performance levels in accordance with their terms in connection with the Amazon transaction.

*Column (i) All Other Compensation*

All Other Compensation includes Company matching contributions under our 401(k) plan. For 2017, these amounts totaled \$12,000 for Messrs. Flynn, Dietrich and Schwartz and \$9,000 for Messrs. Steen and Kokas.

We provide a limited number of perquisites and other personal benefits to our senior executives. We believe these benefits are reasonable, competitive and consistent with our overall executive compensation program and philosophy and with comparable programs maintained by the companies with which we compete for executive talent. The costs of these benefits constitute only a small percentage of each NEO's total compensation. For 2017, these personal benefits included financial counseling and tax preparation fees and limited travel-related expenses. Reimbursement of taxes owed for these benefits for 2017 totaled \$32,096 for Mr. Flynn, \$26,061 for Mr. Dietrich, \$26,203 for Mr. Steen, \$24,449 for Mr. Kokas, and \$29,682 for Mr. Schwartz. These amounts are included in the All Other Compensation column.

As described above in the section entitled Other Elements of Compensation Retirement Plans, our NEOs are entitled to receive an employer contribution under the Retirement Restoration Plan. The portion of account balances attributable to employer contributions made under the Retirement Restoration Plan to each of our NEOs during 2017 totaled \$114,790 for Mr. Flynn, \$118,918 for Mr. Dietrich, \$111,303 for Mr. Steen, \$101,920 for Mr. Kokas and \$100,559 for Mr. Schwartz. These amounts are included in the All Other Compensation column. See Nonqualified Deferred Compensation below for additional information about the Retirement Restoration Plan.

The All Other Compensation column also includes *de minimis* amounts for group term life insurance and long-term disability insurance.

**2017 GRANTS OF PLAN-BASED AWARDS***2017 Grants of Plan-Based Awards*

The grants set forth in the following table were made pursuant to (i) our 2016 Incentive Plan, as amended and restated, and related award agreements and (ii) our AIP, each of which is described in more detail in the section headed Compensation Discussion and Analysis above.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(4)</sup>			All Other Stock Awards or Options			
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Number of Shares or Securities Under Award	Exercise Price	Grant Date	Fair Value of Stock and Option Awards <sup>(5)</sup> (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
<b>William J. Flynn</b>											
AIP <sup>(1)</sup>		776,250	1,035,000	2,070,000							
LTIP LT <sup>(2)</sup>	3/9/17		970,313	1,940,626							
LTIP PSU <sup>(3)</sup>	3/9/17					18,289	36,578				991,264
LTIP RSU <sup>(4)</sup>	3/9/17							36,578			1,982,527
<b>John W. Dietrich</b>											
AIP <sup>(1)</sup>		448,875	598,500	1,197,000							
LTIP LT <sup>(2)</sup>	3/9/17		551,250	1,102,500							
LTIP PSU <sup>(3)</sup>	3/9/17					10,390	20,780				563,138
LTIP RSU <sup>(4)</sup>	3/9/17							20,781			1,126,330
<b>Michael T. Steen</b>											
AIP <sup>(1)</sup>		405,000	540,000	1,080,000							
LTIP LT <sup>(2)</sup>	3/9/17		551,250	1,102,500							
LTIP PSU <sup>(3)</sup>	3/9/17					10,390	20,780				563,138
LTIP RSU <sup>(4)</sup>	3/9/17							20,781			1,126,330
<b>Adam R. Kokas</b>											
AIP <sup>(1)</sup>		342,338	456,450	912,900							
LTIP LT <sup>(2)</sup>	3/9/17		453,150	906,300							
LTIP PSU <sup>(3)</sup>	3/9/17					8,541	17,082				462,922
LTIP RSU <sup>(4)</sup>	3/9/17							17,083			925,899
<b>Spencer Schwartz</b>											

AIP <sup>(1)</sup>		334,688	446,250	892,500			
LTIP LT <sup>(2)</sup>	3/9/17		453,150	906,300			
LTIP PSU <sup>(3)</sup>	3/9/17				8,541	17,082	462,922
LTIP RSU <sup>(4)</sup>	3/9/17					17,083	925,899

(1) Represents the range of potential cash payouts under the AIP for 2017. The actual AIP payouts for 2017 are included in the Summary Compensation Table above.

(2) Represents the grant (under the Long-Term Incentive Plan) of performance cash awards that vest only if certain preestablished performance criteria for the period beginning on January 1, 2017 and ending December 31, 2019 are achieved. Pursuant to SEC rules, the value of these awards is reported in the 2017 Summary Compensation Table even though the awards will not be paid until 2019, subject to the executive's continued employment.

(3) Represents the grant (under the Long-Term Incentive Plan) of performance-based long-term stock awards that vest only if certain preestablished performance criteria for the period beginning on January 1, 2017 and ending December 31, 2019 are achieved.

(4) Represents award of time-based restricted stock units that vest ratably over a four-year period.

(5) The fair value of the restricted stock units and performance share units shown in the table is based on the closing market price of our Common Stock as of the date of the particular award, computed in accordance with GAAP, excluding the effect of estimated forfeitures and with performance awards valued based on the probable outcome of performance conditions. See footnote (e) to the Summary Compensation table for the assumptions used in valuing these awards and for the grant date fair value of awards if maximum levels of performance were achieved.

**2017 OUTSTANDING EQUITY AWARDS***2017 Outstanding Equity Awards*

The table below shows outstanding equity awards for our NEOs as of December 31, 2017. Market values reflect the closing price of our common stock on the NASDAQ Global Market on December 31, 2017, which was \$58.65 per share.

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Exercised Options	Number of Securities Underlying Unexercised Options Not Exercisable	Market Value of Unearned Shares or Units of Stock That Have Not Vested	Date of Award	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards:	Equity Incentive Plan Awards:
								Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
William J. Flynn						36,578 <sup>(7)</sup>	2,145,300	18,289 <sup>(6)</sup>	1,072,650
John W. Dietrich						7,146 <sup>(1)</sup>	419,113	23,458 <sup>(2)</sup>	1,375,812
						11,729 <sup>(3)</sup>	687,906	29,014 <sup>(4)</sup>	1,701,671
						21,760 <sup>(5)</sup>	1,276,224	10,390 <sup>(6)</sup>	609,374
						20,781 <sup>(7)</sup>	1,218,806		
Michael T. Steen						7,146 <sup>(1)</sup>	419,113	23,458 <sup>(2)</sup>	1,375,812
						11,729 <sup>(3)</sup>	687,906		

	21,760 <sup>(5)</sup>	1,276,224	29,014 <sup>(4)</sup>	1,701,671
	20,781 <sup>(7)</sup>	1,218,806	10,390 <sup>(6)</sup>	609,374
	7,146 <sup>(1)</sup>	419,113		
Adam R.	10,642 <sup>(3)</sup>	624,153	21,284 <sup>(2)</sup>	1,248,307
Kokas	17,888 <sup>(5)</sup>	1,049,131	23,850 <sup>(4)</sup>	1,398,803
	17,083 <sup>(7)</sup>	1,001,918	8,541 <sup>(6)</sup>	500,930
	7,146 <sup>(1)</sup>	419,113		
Spencer	10,642 <sup>(3)</sup>	624,153	21,284 <sup>(2)</sup>	1,248,307
Schwartz	17,888 <sup>(5)</sup>	1,049,131	23,850 <sup>(4)</sup>	1,398,803
	17,083 <sup>(7)</sup>	1,001,918	8,541 <sup>(6)</sup>	500,930

- (1) Restricted share units awarded on February 21, 2014 vest 25% ratably on each of February 21, 2015, 2016, 2017, and 2018, with one remaining outstanding vesting date of February 21, 2018.
- (2) Performance share units awarded on February 24, 2015 vest on attainment of certain preestablished performance criteria during the three-year performance period ended December 31, 2017. The performance goals were deemed satisfied at maximum performance levels in accordance with their terms in connection with the Amazon transaction due to the change of control.
- (3) Restricted stock units awarded on February 24, 2015 vest 25% ratably on each anniversary date of grant, with remaining outstanding vesting dates of February 24, 2018 and 2019, and would fully vest upon certain terminations of employment, as described in more detail in the section entitled Potential Payments Upon Termination or Change of Control Payments Upon a Change of Control and Termination of Employment Long-Term Incentive Awards.
- (4) Performance share units awarded on February 11, 2016 vest on attainment of certain preestablished performance criteria during the three-year performance period ended December 31, 2018. The performance goals were deemed satisfied at maximum performance levels in accordance with their terms in connection with the Amazon transaction due to the change of control.
- (5) Restricted stock units awarded on February 11, 2016 vest 25% ratably on each anniversary date of grant, with remaining outstanding vesting dates of February 11, 2018, 2019, and 2020, and would fully vest upon certain terminations of

**2017 OPTION EXERCISES AND STOCK VESTED; NONQUALIFIED DEFERRED COMPENSATION**

employment, as described in more detail in the section entitled Potential Payments Upon Termination or Change of Control Payments Upon a Change of Control and Termination of Employment Long-Term Incentive Awards.

(6) Performance share units awarded on March 9, 2017 vest on attainment of certain pre-established performance criteria during the three-year performance period ended December 31, 2019.

(7) Restricted stock units awarded on March 9, 2017 vest 25% ratably on each anniversary date of grant, with remaining outstanding vesting dates of March 9, 2018, 2019, 2020, and 2021.

*2017 Option Exercises and Stock Vested*

The following table sets forth information relating to stock vesting during fiscal 2017 for each of our NEOs:

Name	Option Awards Number of Shares		Stock Awards	
	Acquired On Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
(a)	(b)(#)	(c)(\$)	(d)(#)	(e)(\$) <sup>(1)</sup>
William J. Flynn				
John W. Dietrich			48,844	2,587,585
Michael T. Steen			48,844	2,587,585
Adam R. Kokas			47,010	2,488,601
Spencer Schwartz			47,010	2,488,601

(1) The value is calculated based on the closing market price of our Common Stock as of the vesting date of the applicable award.

*Nonqualified Deferred Compensation*

As described above in the section entitled Other Elements of Compensation Retirement Plans, our NEOs are entitled to receive an annual employer contribution under the Retirement Restoration Plan.

The table below sets forth the amount of employer contributions made under the Retirement Restoration Plan to each of our NEOs during 2017. Each Executive Officer is 100% vested in his aggregate account balance.

Name (a)	Executive	Registrant	Aggregate	Aggregate	Aggregate
	Contributions	Contributions	Earnings	Withdrawals/	Balance
	in Last Fiscal	in Last Fiscal	in Last Fiscal	Distributions	at Last Fiscal

	Year	Year	Year	(e)(\$)	Year End
	(b)(\$)	(c)(\$) <sup>(1)</sup>	(d)(\$)		(f)(\$)
William J. Flynn		114,790	652		129,938
John W. Dietrich		118,918	419		128,652
Michael T. Steen		111,303	378		120,085
Adam R. Kokas		101,920	339		109,780
Spencer Schwartz		100,559	331		108,244

<sup>(1)</sup> The amounts reported in this column for each NEO are reflected in the All Other Compensation column of the Summary Compensation Table.



## Employment Agreements

There were no changes to either of Mr. Flynn's or Mr. Dietrich's employment agreements in 2017.

*William J. Flynn.* Pursuant to Mr. Flynn's employment agreement, he receives a base annual salary at a rate that is reviewed at least annually and may be adjusted from time to time by our Compensation Committee. If Mr. Flynn is terminated by the Company for cause, or if he resigns other than for good reason, he would be entitled to receive salary earned up to date of termination or resignation. If Mr. Flynn is terminated by the Company without cause, or if he resigns for good reason (as defined in the agreement and discussed in the section headed "Payments Upon a Change of Control and Termination of Employment" below), he would be entitled to (i) an amount equal to two times his then-current annual base salary (one-third of which would be payable on the first day of the seventh month following termination of employment (the "Payment Commencement Date"), with the balance payable in accordance with Atlas normal pay schedule beginning on the Payment Commencement Date and continuing for one year thereafter); (ii) accrued but unused vacation pay; (iii) all vested rights and benefits pursuant to other Company plans and programs; (iv) health and welfare benefits coverage for 12 months (provided that such coverage will cease if Mr. Flynn receives comparable coverage from subsequent employment); and (v) a cash payment under our AIP equal to the lesser of (a) the amount he would have received if he had been employed by Atlas on the last day of such year (assuming for such purpose that 50% of any individual bonus objectives had been achieved) or (b) his target bonus percentage. Substantially equivalent compensation and benefits would be payable in the event of Mr. Flynn's permanent disability (as defined) or his death. If, within 12 months immediately following a change of control (as defined in the agreement and discussed in the section headed "Payments Upon a Change of Control and Termination of Employment" below), Mr. Flynn's employment is terminated not for cause or if he resigns for good reason, Mr. Flynn would be entitled to the same compensation and benefits as described above, except that the amount of the payment to which he would be entitled would be increased from two to three times his then-current annual base salary (one-fourth of which would be payable on the Payment Commencement Date, with the balance payable in accordance with Atlas normal pay schedule beginning on the Payment Commencement Date and continuing for 18 months thereafter). Moreover, if, within six months following termination of employment by Atlas for reasons other than cause or by Mr. Flynn for good reason, a change of control occurs, then, in addition to the payment described above, Mr. Flynn would be entitled to an additional amount equal to 12 months of his then-current monthly base salary.

Under the terms of his employment agreement, Mr. Flynn is prevented from soliciting or interfering with any of our contracts, client relationships, independent contractors, suppliers, customers, employees, or Directors for a period of two years following termination of his employment with us. Additionally, for a period of one year following termination of his employment, Mr. Flynn may not accept employment with, or give advice to, any air cargo carrier carrying on a business substantially similar to Atlas. Mr. Flynn's employment agreement was entered into on April 21, 2006 and became effective on June 22, 2006. It was initially amended at year-end 2008 and further amended in 2011.

*John W. Dietrich.* Pursuant to Mr. Dietrich's employment agreement, he receives an annual base salary at a rate that is reviewed and adjusted from time to time by our Compensation Committee. Under the agreement, if Mr. Dietrich is terminated by the Company for cause, or if he resigns for other than good reason, he would be entitled to receive salary earned up to the date of termination or resignation. If Mr. Dietrich's employment is terminated without cause, or if Mr. Dietrich resigns for good reason (as defined in his agreement), he would be entitled to an amount equal to two times his then current annual base salary, payable in a single lump sum on the Payment Commencement Date, which amount increases to three times his then current annual base salary if his employment is terminated or he resigns for good reason within 12 months immediately following a change of control. Mr. Dietrich would also be entitled to

(i) any accrued but unused vacation pay; (ii) all vested rights and benefits pursuant to our Company plans and programs; (iii) relocation benefits back to the Chicago, IL area; (iv) health and welfare benefits coverage for 12 months (provided such coverage will cease if Mr. Dietrich receives comparable coverage from subsequent employment); and (v) a cash payment under our AIP equal to the lesser of (a) the amount he would have received if he had been employed by Atlas on the last day of such year (assuming for such purpose that 50% of any individual bonus objectives had been achieved) or (b) his target bonus percentage. Substantially equivalent compensation and benefits would be payable in the event of Mr. Dietrich's

## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

permanent disability (as defined) or his death. Moreover, if, within six months following termination of employment by Atlas for reasons other than cause or by Mr. Dietrich for good reason, a change of control occurs, then, in addition to the payment described above, Mr. Dietrich would be entitled to an additional amount equal to 12 months of his then-current monthly base salary.

Mr. Dietrich's employment agreement also provides that he will not, for a period of one year following the termination of his employment with us, solicit or interfere with any of our contracts, client relationships, independent contractors, suppliers, customers, employees, or Directors. Additionally, for a period of one year following termination of his employment, Mr. Dietrich may not accept employment in a non-attorney capacity with, or give non-legal advice to, certain of our major competitors. Mr. Dietrich's employment agreement was amended and restated effective September 15, 2006 and was further amended at year-end 2008 and in 2011.

Aside from Messrs. Flynn and Dietrich, our other NEOs do not have employment agreements.

### Potential Payments Upon Termination or Change of Control

Our AIP for Senior Executives, Incentive Plans and related award agreements, employment agreements with Mr. Flynn and Mr. Dietrich and Benefits Program for Senior Executives (the Benefits Program) provide for payments and benefits to our executive officers upon certain terminations of employment, a change of control of the Company, or retirement.

For purposes of these plans and arrangements, a change of control of the Company means a change of control as defined in Section 409A of the Code and in the regulations promulgated thereunder, which generally includes (i) the acquisition by any person or group of more than 50% of the total fair market value or total voting power of the Common Stock, (ii) the acquisition by any person or group, during any twelve-month period of ownership, of stock possessing 30% or more of the total voting power of the Company, (iii) the replacement of a majority of the membership of the Company's Board of Directors during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Company's then Board of Directors, or (iv) the acquisition by a person or group during any twelve-month period of assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all assets of the Company.

Based on our extensive shareholder outreach and related feedback, equity and other long-term incentive award agreements under our Incentive Plan generally are subject to double-trigger provisions that require a change of control to be accompanied by a qualifying termination of employment in order for any such award to vest on an accelerated basis. However, in 2016, due to Mr. Flynn's retirement eligibility, the terms of his then existing awards entitled him to acceleration and payment in connection with the Amazon transaction. **In response to our Say-on-Pay result in 2017 as well as specific shareholder feedback received through our extensive outreach efforts in which a Compensation Committee member participated, the Compensation Committee has restructured Mr. Flynn's awards starting in 2018 to contain a strict double-trigger requirement** (his 2017 awards could not be similarly modified retroactively without causing materially adverse tax consequences under Code Section 409A). All other NEOs also have strict double trigger requirements.

*Payments Upon Termination of Employment or Retirement (Without a Change of Control)*

### *Severance Entitlements*

Mr. Steen, Mr. Schwartz and Mr. Kokas participate in the Benefits Program as do Mr. Flynn and Mr. Dietrich to the extent severance benefits and related matters are not specifically covered in their respective employment agreements. The Benefits Program provides for the following severance payments and benefits in the event the executive is terminated by the Company without cause or due to disability, or the executive resigns for good reason (as defined below), in the absence of a change of control of the Company: (i) 24 months continued base salary; (ii) twelve months of reimbursement of the portion of COBRA health and welfare continuation coverage premiums attributable to employer cost-share on an after-tax basis; and (iii) an annual bonus payment for the year of termination, based on the lesser of actual and target performance.

## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

For purposes of the Benefits Program, "good reason" means (i) a reduction in the executive officer's annual base salary, except where such reduction is part of a general salary reduction by the Company, or the executive officer ceasing to be eligible to earn an annual bonus under the Company's annual bonus plan, (ii) the executive officer ceasing to hold the title of Executive Vice President, other than through promotion or through reassignment to another job title of comparable responsibility, or (iii) a reduction in job responsibilities which diminishes the executive officer's opportunity to earn a bonus under the Company's annual bonus plan.

Mr. Flynn's and Mr. Dietrich's severance benefits under their individual employment agreements in the event of certain terminations in the absence of a change of control of the Company are described above under the section entitled *Employment Agreements*.

### *Annual Incentive Program*

A participant in our AIP for Senior Executives would be entitled to receive an annual bonus payment under the plan, based on the lesser of actual and target level performance, in the event of a termination by the Company without cause or a resignation for "good reason" (as defined below), or in the event of the participant's retirement, in each case in the absence of a change of control of the Company. In the event of a participant's death or termination by reason of disability in the absence of a change of control, the Company may in its sole discretion pay all or a portion of the participant's annual incentive award based on participant's performance and duration of employment during the plan year.

For purposes of the AIP, "good reason" means (i) a material reduction in the participant's duties and responsibilities or (ii) a reduction of the participant's aggregate salary, benefits and other compensation, except where such reduction is part of a general salary reduction by the Company.

### *Long-Term Incentive Awards*

In the event of a termination of employment by the Company without cause or due to death or disability in the absence of a change of control of the Company, a pro-rata portion of our executive officers' outstanding PSUs and cash-based long-term incentive awards would vest, based on the portion of the performance period elapsed prior to such termination, with all applicable performance goals determined at the end of the performance period based on actual performance. Mr. Flynn's outstanding PSUs would vest without proration but payout would be based on actual performance determined at the end of the performance period in the event of a qualifying retirement approved by a majority of the Board of Directors (not including Mr. Flynn). Our executive officers' outstanding RSUs would immediately vest in the event of a termination by the Company due to death or disability (or, with respect to Mr. Flynn, a Board-approved retirement) in the absence of a change of control of the Company.

### *Payments Upon a Change of Control (Without Termination of Employment)*

#### *Annual Incentive Program*

In the event of a change of control of the Company, a participant in our AIP for Senior Executives would remain eligible to receive an annual bonus payment following the completion of the plan year in which the change of control occurs, based on the greater of target level performance and actual performance determined at the end of the performance period.

#### *Long-Term Incentive Awards*

In the event of a change of control of the Company, all outstanding PSUs and cash-based long-term incentive awards would be deemed satisfied at maximum performance levels. All outstanding long-term incentive awards would immediately vest in connection with the change of control if the awards are not assumed or substituted by the acquiror in the transaction. If, however, the awards are assumed or substituted by the acquiror in the transaction (as was the case in the Amazon transaction), then the awards would remain outstanding subject to the executive officer's continued employment, and would immediately vest in the event of certain terminations of

## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

employment following the change of control, as described in the section entitled *Payments Upon a Change of Control and Termination of Employment – Long-Term Incentive Awards* below.

### *Nonqualified Deferred Compensation*

As described above in section entitled *Other Elements of Compensation – Retirement Plans*, our NEOs are entitled to receive an annual employer contribution under the Retirement Restoration Plan. Each of our executive officers is fully vested in his account balance under the Retirement Restoration Plan. All account balances under the plan would become immediately payable in the event of a change of control.

### *Payments Upon a Change of Control and Termination of Employment*

#### *Severance Entitlements*

Mr. Steen, Mr. Schwartz and Mr. Kokas participate in the Benefits Program, which provides for the following severance payments and benefits in the event the executive is terminated by the Company without cause or resigns for good reason (as defined above), within the twelve-month period following a change of control of the Company: (i) a cash payment equal to three times his then-current annual base salary, payable in a lump sum, (ii) twelve months reimbursement of the portion of COBRA health and welfare continuation coverage premiums attributable to employer cost-share on an after-tax basis and (iii) an annual bonus payment for the year of termination, based on the lesser of actual and target performance.

If Mr. Steen, Mr. Schwartz or Mr. Kokas is terminated by the Company without cause or due to disability, or resigns for good reason, within the six-month period prior to a change of control of the Company, then he would be entitled to receive a cash payment equal to one-times his then-current annual base salary (in addition to any payments or benefits he was otherwise entitled to receive in connection with such termination, as described in the section entitled *Payments Upon Termination of Employment or Retirement (Without a Change of Control) – Severance Entitlements*), payable in a lump sum six months following the change of control.

None of Mr. Steen, Mr. Schwartz or Mr. Kokas is entitled to any tax gross-up payments in the event the executive officer is subject to the golden parachute excise tax under Section 4999 of the Code. Receipt of the separation payments and benefits described above is conditioned upon the applicable executive officer executing a release of claims in favor of the Company and complying with a restrictive covenant agreement.

Mr. Flynn's and Mr. Dietrich's severance benefits under their individual employment agreements in the event of certain terminations following a change of control are described under the section entitled *Employment Agreements* above.

#### *Long-Term Incentive Awards*

In the event of a termination by the Company without cause or due to death or disability, or the executive officer's resignation for good reason (as defined below) (or, for Mr. Flynn, a Board-approved retirement), in each case following a change of control of the Company, all outstanding long-term incentive awards that were not substituted or assumed by the acquiror in connection with the transaction would immediately vest, with any applicable performance goals deemed satisfied at maximum performance levels.

For purposes of the long-term incentive awards, good reason means (i) a material reduction in the executive officer's duties and responsibilities, (ii) a reduction in the executive officer's aggregate salary, benefits and other compensation

(including any incentive opportunity), other than as part of a general reduction applicable to all similarly situated employees, or (iii) a relocation to a position that is located greater than 40 miles from the executive officer's most recent principal location of employment with the Company.



**POST-TERMINATION AND CHANGE OF CONTROL TABLE**

**POST-TERMINATION AND CHANGE OF CONTROL TABLE**

The table below sets forth the estimated dollar value of the payments and other benefits our NEOs would receive in the event of his termination of employment or a change of control that are in addition to amounts previously earned and accrued by the executive, in each case assuming that such termination is without cause and such termination or change of control occurred on December 31, 2017.

These estimates were valued based on the closing price of our Common Stock as quoted on the NASDAQ Global Market on December 29, 2017 (the last trading day of 2017), which was \$58.65 per share. The actual amounts to be paid can only be determined at the time of such events.

These estimates assume that the NEO (a) executes a release of claims, (b) does not violate the executive's noncompetition or nonsolicitation agreements or any other restrictive covenants with us following termination, (c) does not receive medical and life insurance coverage from another employer within twelve months of the termination of his employment, (d) does not have any unused vacation time and (e) does not incur legal fees or relocation expenses requiring reimbursement from us.

These estimates exclude the following items:

Payments under our AIP for Senior Executives that each NEO became entitled to as of December 31, 2017.

The value of the NEOs' accrued balances under the Company's 401(k) Restoration and Voluntary Deferral Plan, which are disclosed in the Nonqualified Deferred Compensation Table above.

The value of PSUs and cash-based long-term incentive awards granted to our NEOs in 2015 that vested upon the completion of the applicable performance period on December 31, 2017.

Name	Payments on Termination of Employment Due to Death <sup>(1)</sup>	Payments on Termination of Employment Due to Disability <sup>(2)</sup>	Payments on Termination of Employment Without Cause <sup>(3)</sup>	Payments in Connection with a Change of Control Without Qualifying Termination of Employment	Payments in Connection with a Change of Control With a Qualifying Termination of Employment <sup>(4)</sup>
				Change of Control Without Qualifying Termination of Employment	Change of Control With a Qualifying Termination of Employment

<b>William J. Flynn</b>	\$ 5,066,022	\$ 5,066,022	\$ 6,101,022	\$ 129,938	\$ 10,540,979
<b>John W. Dietrich</b>	9,349,854	9,349,854	6,346,306	128,652	12,915,246
<b>Michael T. Steen</b>	7,961,287	9,161,287	6,099,239	120,085	12,603,179
<b>Adam R. Kokas</b>	6,813,247	7,887,247	5,249,382	109,780	10,772,930
<b>Spencer Schwartz</b>	6,811,711	7,861,711	5,213,646	108,244	10,725,194

- (1) Represents (a) two times Mr. Flynn's and Mr. Dietrich's annual base salary, (b) the estimated cost of 12 months of reimbursement of the portion of COBRA health and welfare continuation coverage premiums attributable to employer cost-share on an after-tax basis, (c) the estimated cost of relocation reimbursement for Mr. Dietrich and (d) the aggregate value of the NEO's long-term incentive awards, prorated based on the portion of the performance period elapsed prior to December 31, 2017 and assuming target level performance, in the case of the NEO's PSUs and cash-based long-term incentive awards. However, a change of control of the Company occurred on September 20, 2016 in connection with the Amazon transaction ( "Amazon Transaction" ) for purposes of certain of the Company's benefit plans and arrangements. As a result, instead of the benefits otherwise receivable in the case of death, all of the NEO's long-term incentive awards granted prior to the change of control would have vested, without proration and with any applicable performance criteria deemed satisfied at maximum levels (except the CEO, as his long-term incentive awards granted prior to the change of control vested in connection with the change of control), in the event of the NEO's death on December 31, 2017.
- (2) Represents (a) two times the NEO's annual base salary, (b) the estimated cost of 12 months of reimbursement of the portion of COBRA health and welfare continuation coverage premiums attributable to employer cost-share on an after-tax basis, (c) the estimated cost of relocation reimbursement for Mr. Dietrich and (d) the aggregate value of the NEO's long-term incentive awards outstanding, prorated based on the portion of the performance period elapsed prior to December 31, 2017 and assuming target level performance, in the case of the NEO's PSUs and cash-based long-term incentive awards. However, in connection with the Amazon Transaction, instead of the benefits otherwise receivable in the case of disability, all of the NEO's long-term incentive awards granted prior to the change of control would have vested, without proration and with any applicable performance criteria deemed satisfied at maximum levels, in the event of a termination of employment by the Company due to disability on December 31, 2017.

---

**POST-TERMINATION AND CHANGE OF CONTROL TABLE**

- (3) Represents (a) two times the NEO's annual base salary, (b) the estimated cost of 12 months of reimbursement of the portion of COBRA health and welfare continuation coverage premiums attributable to employer cost-share on an after-tax basis, (c) the estimated cost of relocation reimbursement for Mr. Dietrich and (d) the aggregate value of the NEO's PSUs and cash-based long-term incentive awards, prorated based on the portion of the performance period elapsed prior to December 31, 2016 and assuming target level performance. However, as described above, in connection with the Amazon Transaction, instead of the benefits otherwise receivable upon termination of employment, all of the NEO's long-term incentive awards granted prior to the change of control would have vested, without proration and with any applicable performance criteria deemed satisfied at maximum levels, in the event of a termination of employment by the Company without cause on December 31, 2017.
- (4) Represents (a) three times the NEO's annual base salary, (b) the estimated cost of twelve months of reimbursement of the portion of COBRA health and welfare continuation coverage premiums attributable to employer cost-share on an after-tax basis, (c) the estimated cost of relocation reimbursement for Mr. Dietrich and (d) the aggregate value of the NEO's long-term incentive awards, with any applicable performance criteria deemed satisfied at maximum levels. The amounts in this column do not reflect any reductions for federal excise tax levied on certain excess termination payments under Section 4999 of the Code.

## PAY RATIO

Pursuant to Item 402(u) of Regulation S-K and Section 953(b) of the Dodd-Frank Act (together with any SEC guidance issued thereunder, the pay ratio rules ), presented below is the ratio of annual total compensation of our CEO to the annual total compensation to our median employee (excluding our CEO).

### *Median Employee*

Our median employee is a First Officer flying one of our Boeing 747-400 aircraft.

Company crew member salaries are determined under a collective bargaining agreement, which is currently under renegotiation. Seniority, performance, job skills and rank are some of the factors that go into determining crew member compensation.

### *Pay Ratio*

The 2017 annual total compensation as determined in accordance with the applicable pay ratio rules for our CEO was \$6,025,444. The 2017 annual total compensation as determined under the pay ratio rules for our median employee was \$95,761. The ratio of our CEO's annual total compensation to our median employee's total compensation for fiscal year 2017 is 62.9 to 1.

### *Measurement Process*

The ratio is calculated in a manner consistent with the pay ratio rules. In identifying our median employee, we calculated the annual total compensation of each of our employees and our consolidated subsidiaries for the 12 month period that ended on December 31, 2017. Total compensation for these purposes included base wages or salary, any applicable bonuses or profit sharing plan payouts and any other taxable elements of compensation and was calculated using IRS Form W-2 data supplemented with internal payroll and HR records. We did not apply any cost-of-living adjustments as part of the calculation.

We selected the median employee based on approximately 2,856 full-time, part-time and temporary workers who were employed as of December 31, 2017, which number excludes all employees located outside of the United States (91 individuals; 36 in Hong Kong, 10 in the United Kingdom, 12 in the United Arab Emirates, 3 in Germany, 3 in South Korea, 1 in Luxembourg, 6 in Japan, 4 in Australia, 3 in the Netherlands, 5 in Chile, 4 in Brazil, and 4 in Singapore). These persons were excluded pursuant to the *de minimis* exemption provided under the pay ratio rules. For full-time and part-time employees who were hired in 2017 but did not work the full year, we annualized their compensation but did not make any full-time equivalent adjustments. We did not include independent contractors in our determination.

The detailed process through which our Compensation Committee determines our executive compensation, including our CEO's compensation, is detailed in pages 26-28 and our Compensation and Discussion and Analysis section.

**PROPOSAL NO. 2****PROPOSAL NO. 2 RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018**

The Audit Committee has selected PwC as the Company's independent registered public accounting firm for the year ending December 31, 2018 and has directed that management submit the selection of that firm to the shareholders for ratification at the Annual Meeting. PwC has served as the Company's independent registered public accounting firm since 2007. In accordance with SEC rules and PwC policies, the firm's lead engagement partner rotates every five years. The Audit Committee is directly involved in the selection of the new partner when there is a rotation. Representatives from PwC are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

Shareholder ratification of the selection of PwC as the Company's independent registered public accounting firm is not required by the Company's By-Laws or otherwise. However, we are submitting the selection of PwC to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain PwC. Even if the selection is ratified, 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 it is determined that such a change would be in the best interests of the Company and its shareholders.

Services provided to us by PwC for each of the last two fiscal years are described below (dollars in thousands):

	2017	2016
Audit Fees	\$ 2,449	\$ 2,093
Audit-Related Fees	131	3
Tax Fees	1,719	1,670
Other Fees		46
<b>Total</b>	<b>\$ 4,299</b>	<b>\$ 3,812</b>

*Audit Fees* represent professional services, including out-of-pocket expenses, rendered for the integrated audit of our consolidated financial statements, for reviews of our financial statements included in our Quarterly Reports on Form 10-Q, for services provided in connection with statutory and regulatory filings and for consents and comfort letters in connection with registration statements.

*Audit-Related Fees* consist of services in 2017 related to the impact of adopting amended accounting guidance and a subscription for accounting research software in 2017 and 2016.

*Tax Fees* consist of tax services, including tax compliance, tax advice, and tax planning.

*Other Fees* consist of advisory services, including out-of-pocket expenses, related to the Southern acquisition in 2016.

The Audit Committee preapproves audit and permissible nonaudit services provided by the independent registered public accounting firm in accordance with the Committee's preapproval policy. These services may include audit services, audit-related services, tax services, and other services. Necessary approvals required between Audit Committee meetings must be preapproved by the Audit Committee Chairman, or such other Audit Committee member who has been delegated this authority by the Audit Committee Chairman. For any such approvals between meetings, a description is provided to the Audit Committee for discussion at its next regularly scheduled meeting. The Audit Committee has concluded that the provision of the non-audit services described above are compatible with maintaining the independence of PwC. The Audit Committee has met with management and PwC to review and approve the overall plan and scope of the audit for the current year.

**THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE **FOR** THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018.**

**PROPOSAL NO. 3 ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are seeking shareholder input on our NEO compensation as disclosed in this Proxy Statement, and particularly in the Compensation Discussion and Analysis. The Board and the Compensation Committee assess and structure our executive compensation practices to align with our pay-for-performance philosophy and with a focus on industries where we operate and the marketplace where we compete for executive talent. We seek to compensate each NEO consistently with the principle of pay-for-performance while providing an overall compensation structure that serves to attract and retain the best talent and without encouraging excessive risk taking.

*As described in our Letter to the Shareholders, Proxy Summary and Compensation Discussion and Analysis, we have implemented various impactful, significant changes to our executive compensation programs in response to our recent Say-on-Pay outcomes and specific shareholder feedback obtained during an especially robust outreach cycle that included participation by a Compensation Committee member in key in-person meetings. These changes include:*

*Strict double-trigger requirements for vesting and payout of long-term incentives for our CEO, resulting in all NEOs being subject to such requirements*

*Addition of a comparative total shareholder return (TSR) element to our performance-based long-term incentive awards*

*Increase of our CEO's stock ownership guidelines to an even more stringent 6x base salary requirement (from 5x previously)*

*Additional disclosure regarding the rigorous goal-setting process for our annual and long-term incentive awards*

*Revision of our peer group to include appropriate comparators for the Compensation Committee's regular assessment of market executive compensation data and our own pay levels*

Our principal compensation policies, which enable us and are designed to attract and retain strong and experienced senior executives and drive long-term company performance, include:

Establishing meaningful objective performance metrics under our AIP each year at challenging levels;

Granting performance-based, long-term equity and cash awards that will be earned only on the achievement of key long-term strategic goals;

Providing that time-based, long-term equity and awards, granted chiefly for retention purposes, are subject to a four-year vesting schedule (a three-year schedule for awards granted in 2018 and beyond);

Setting compensation and incentive levels that reflect competitive market practices, reflect the global nature of our business and reward senior executives for significant achievements;

Requiring material stock holdings to align the interests of senior executives with those of our shareholders and prohibiting these persons from hedging, maintaining margin accounts and otherwise engaging in speculative trading activities;

Prohibiting tax gross-ups for any change of control payments; and

Prohibiting the grant of excessive perquisites such as the personal use of airplanes, Company-provided auto, and/or auto allowances or club dues.



**PROPOSAL NO. 3**

The Board has adopted a policy of providing for annual say-on-pay votes. The next say-on-pay vote will occur at our 2019 annual meeting.

We are asking our shareholders to support our NEO compensation program as described in this Proxy Statement. This is an advisory vote and is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and our compensation philosophy, policies and practices described in this Proxy Statement. However, the Board and the Compensation Committee will review and consider the voting results when evaluating our executive compensation program.

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THIS PROPOSAL.**

## **PROPOSAL NO. 4 APPROVAL OF OUR 2018 INCENTIVE PLAN**

### **Overview**

At the Annual Meeting, shareholders will be asked to approve the adoption of the Atlas Air Worldwide Holdings, Inc. 2018 Incentive Plan (the 2018 Plan ), including the material terms of performance goals for performance awards to be granted under the 2018 Plan. The 2018 Plan was adopted by the Board on April 17, 2018, and will become effective upon receiving shareholder approval at the Annual Meeting.

The purpose of the 2018 Plan is to advance the interests of the Company by providing for the grant to eligible participants of stock-based and other incentive awards. The 2018 Plan is intended to accomplish these goals by enabling the Company to grant awards in the form of stock options, stock appreciation rights, restricted stock, unrestricted stock, performance awards, cash awards, restricted and unrestricted stock units and other awards, all as more fully described below.

If approved, the 2018 Plan will replace our 2016 Incentive Plan, as amended (referred to herein as the prior plan or the 2016 Plan ), and no new awards will be granted under the prior plan following the approval. Awards outstanding under the 2016 Plan, as well as under a plan adopted in 2007, will continue to be governed by the terms of those plans and agreements under which they were granted.

We are asking shareholders to authorize 400,000 new shares under the 2018 Plan. The maximum number of shares available for delivery under the 2018 Plan will be 450,651, consisting of 50,651 unused shares under the prior plan as of April 17, 2018, when the Board approved the 2018 Plan, plus shares that return to the pool after April 17, 2018, as a result of an award granted under the prior plan terminating, expiring or otherwise being satisfied without the delivery of shares or, in the case of restricted stock awards issued under the prior plan, being forfeited, plus 400,000 new shares. We believe this maximum share amount will be sufficient to meet our equity grant needs for at least one year based on historical grant rates. If the 2018 Plan is not approved at the Annual Meeting, the 2018 Plan will not be effective and the Company will continue to make awards under the prior plan to the extent that shares remain available for future issuance.

We tie our target annual stock grants to a dollar amount rather than a fixed number of shares in accordance with shareholder-favored grant practices. Additionally, since 2013 we repurchased approximately 2.6 million shares, another shareholder-friendly practice. These actions result in an unintentional increase in the burn-rate calculation for the 2016 Plan.

### **Plan Features That Protect Shareholder Interests**

The Board believes that our 2018 Plan will promote the interests of our shareholders and is consistent with principles of good corporate governance. The 2018 Plan contains several features that are intended to protect the interests of our shareholders, including:

*No Single-Trigger Vesting on a Change in Control.* The 2018 Plan does not provide for acceleration of equity or cash awards in connection with a change in control unless there is no assumption or substitution of awards in connection with such change in control. All outstanding NEO awards are double-trigger with the exception of those granted to Mr. Flynn in 2017, which provide for vesting in connection with a change in control due to his retirement eligibility.

*Minimum Vesting.* The 2018 Plan limits the number of awards (other than cash-based awards) that may be granted with a less than one-year vesting term. (As described on page 45, all our outstanding NEO awards are subject to multiyear vesting provisions).

*Limits on Awards.* The 2018 Plan limits the number of stock options, stock appreciation rights ( SARs ) and other awards that may be granted to plan participants and the amount that may be paid in respect of cash

---

**PROPOSAL NO. 4**

awards in any calendar year. **The 2018 Plan also contains separate limits on the value of awards that may be granted to nonemployee directors in any calendar year.**

*Independent Plan Administration.* The Compensation Committee, comprised solely of nonemployee, independent directors who meet NASDAQ standards for independence and who meet the definition of nonemployee directors under Rule 16b-3(b)(3) of the Securities Exchange Act of 1934, as amended, will administer the 2018 Plan.

*No Liberal Share Recycling.* Shares underlying stock options and other awards issued under the 2018 Plan will not be recycled back into the share pool under the 2018 Plan if they are withheld in payment of the exercise price of the award or to satisfy tax withholding obligations in respect of the award. The number of shares available for delivery under the 2018 Plan will not be increased by any shares that are repurchased by the Company on the open market using proceeds directly attributable to stock option exercises.

*No Repricing.* Stock options and stock appreciation rights may not be repriced or otherwise terminated, surrendered, cancelled or exchanged for consideration without shareholder approval.

*No Discounted Stock Options or SARs.* Stock options and SARs may not be granted with an exercise price or base price that is less than the fair market value of the underlying stock on the date of grant.

*Clawback Policy.* Awards under the 2018 Plan are subject to the terms of applicable Company clawback policies. Please see page 50 for additional information regarding our clawback policies.

**Why You Should Vote for the Approval of our 2018 Plan**

We believe that the 2018 Plan is important to our continued growth and success and is essential to our ability to attract, motivate and retain highly qualified officers, directors, key employees and other key individuals. We believe that providing these individuals with an opportunity to acquire a direct proprietary interest in the operations and future success of the Company will motivate these individuals to serve the Company and our shareholders by expending the maximum effort to improve our business and results of operations. We believe that equity award grants under the 2018 Plan will be a valuable incentive to participants and benefit shareholders by aligning more closely the interests of Plan participants with those of our shareholders.

A combination of factors, including among other things, increased reliance upon restricted stock units and performance units for equity compensation, have driven increased share usage under the 2016 Plan, thereby reducing the shares remaining available for future issuance under the 2016 Plan. We are therefore asking shareholders to consider the following factors and to vote for the approval of the 2018 Plan:

***Equity incentive awards are an important part of our overall compensation philosophy.*** The 2018 Plan is critical to our ongoing effort to build shareholder value. Equity incentive awards have historically been and remain a critically important component of our compensation program. Our Compensation Committee believes that our ability to grant equity incentive awards to employees is an important factor in our ability to attract, retain and motivate key

employees. Our Compensation Committee believes that equity compensation provides a strong incentive for employees to work to grow the business, build shareholder value over the long term and strongly align the interests of our employees with our other shareholders. Moreover, equity awards to our senior executives reflect the Compensation Committee's pay for performance philosophy since payout amounts are at risk and contingent on Company performance as described in the Compensation Discussion and Analysis section of this Proxy Statement.

***Share exhaustion under the Prior Plan would harm the competitiveness of our compensation offerings.*** We believe that the remaining shares reserved for issuance under the 2016 Plan (50,651 shares) are insufficient to meet our future compensation requirements if we continue to make grants consistent with historic grant levels and with the Compensation Committee's practices as described in the Compensation Discussion and Analysis section of this Proxy Statement. We believe we must continue to offer a competitive equity compensation program to attract and motivate our workforce. If the 2016 Plan were to run out of shares available for grant, we would not be able to grant additional equity awards. We also believe that our inability to award equity

compensation will result in difficulty in attracting, retaining, and motivating our employees, whose efforts are a necessary element to implement our strategic plan and to ensure our future success. The 450,651 shares that would be available for future issuance under the 2018 Plan should be sufficient to cover grants for at least the next year based on historical grant rates. Any shortfall may be accommodated through other compensatory measures. Therefore, we are asking our shareholders to approve our 2018 Plan for such purpose.

### Existing Equity Plan Information

At present, the 2016 Plan, which was previously approved by our shareholders, is the only long-term incentive plan of the Company under which equity awards may be granted.

The table below includes aggregated information regarding awards outstanding under the 2016 Plan (as well as under a plan adopted in 2007), under which we cannot make additional grants but under which certain awards remain outstanding, the number of shares available for future awards under our 2016 Plan as of April 2, 2018, and the proposed number of new shares available for delivery under the 2018 Plan.

	Number of shares (as of April 2, 2018)	As a percentage of stock outstanding 25,561,798 shares (as of April 2, 2018)
Shares subject to outstanding stock options and SARs under the 2007 Plan	0	0%
Shares subject to awards, other than stock options and SARs, outstanding under the 2007 Plan and 2016 Plan (so called full-value awards <sup>(1)</sup> )	1,173,615	4.59%
Total shares subject to existing outstanding equity awards:	1,173,615	4.59%
Proposed new shares available for future awards under the 2018 Plan <sup>(2)</sup>	400,000	1.56%
Total shares subject to existing outstanding equity awards and reserved for issuance under the 2018 Plan:	1,573,615	6.16%
Shares available for future awards under the 2016 Plan <sup>(2)</sup>	50,651	0.20%

TOTAL: 1,624,266 6.35%

(1) For purposes of determining shares available under the 2018 Plan, each share subject to an award will count as one share. Other share-counting provisions of the 2018 Plan are described below under Authorized Shares. Because the 2018 Plan does not specify the mix of stock options and SARs, on one hand, and full-value awards, on the other, it is not possible to determine the amount of subsequent dilution that may ultimately result from such awards. Also included are restricted stock units and performance share units and assumes the target performance requirements for outstanding PSUs are achieved.

(2) We will no longer be able to grant awards under the 2016 Plan if the 2018 Plan is approved by shareholders. Shares remaining available for issuance under the 2016 Plan will be rolled into and become available for issuance under the 2018 Plan.

### **Plan Summary**

A summary of the 2018 Plan is set forth below. This summary is qualified in its entirety by the full text of the 2018 Plan, which is attached as Exhibit B to this Proxy Statement.

*Administration.* The 2018 Plan is administered by our Compensation Committee, which has the authority to, among other things, interpret the 2018 Plan; determine eligibility for, grant and determine the terms and conditions of awards; prescribe forms, rules and procedures; and otherwise do all things necessary or desirable to administer the Plan. The Compensation Committee has the authority to delegate certain of its duties, powers and responsibilities to one or more of its members, to certain officers, and to certain other persons in accordance with the terms of the 2018 Plan. As used herein, the term Administrator refers to our Compensation Committee or its authorized delegates, as applicable.

**PROPOSAL NO. 4**

*Term.* No awards may be granted after May 22, 2028 but previously granted awards may continue beyond that date in accordance with their terms.

*Eligibility.* Key employees, directors, consultants and advisors of the Company and its affiliates who are in a position to make a significant contribution to the success of the Company or its affiliates and are selected by the Administrator will be eligible to receive awards under the 2016 Plan. Eligibility is generally limited to individuals who may permissibly use a Form S-8 registration statement. Eligibility for stock options intended to be incentive stock options within the meaning of Section 422 of the Code is limited to employees of the Company or its parents and subsidiaries, in accordance with Section 422 of the Code. As of April 17, 2018, we estimate that approximately 92 employees will be eligible to receive grants under the 2018 Plan, with an additional 386 employees who would, at the discretion of the Administrator, be eligible for one-time high performer grants.

*Authorized Shares.* Subject to adjustment as described below, the maximum number of shares of Common Stock that may be delivered in satisfaction of awards under the 2018 Plan is 400,000 newly-issued shares (the Share Pool ), plus the 50,651 unused shares under the 2016 Plan as of April 17, 2018, plus any shares that return to the Share Pool as a result of an award granted under the 2016 Plan or the plan adopted in 2007 terminating, expiring or otherwise being satisfied without the delivery of shares or, in the case of restricted stock awards, being forfeited. The following rules apply in respect of the Share Pool:

No more than five percent of the Share Pool may be issued as awards that have a vesting date that is less than one year from the date of grant. Cash-based awards and awards that vest on account of death, disability or change in control do not count toward the foregoing limit.

Any shares of Common Stock underlying the portion of any award granted under the 2018 Plan that is settled in cash or that otherwise expires, terminates or is forfeited, in each case, without the issuance of the underlying shares, will not reduce the Share Pool.

All shares covering any portion of a SAR that is settled in stock and any shares withheld from a stock option or other award in satisfaction of the exercise price or tax withholding obligations will be treated as having delivered under the 2018 Plan and will not be added back to the Share Pool.

The Share Pool will not be increased by any shares that are repurchased by the Company from the open market using proceeds directly attributable to stock option exercises.

Shares issued under awards of an acquired company that are converted, replaced or adjusted for in connection with the acquisition will not reduce the Share Pool.

Shares that may be delivered under the 2018 Plan may be authorized but unissued shares of our Common Stock or previously issued shares of our Common Stock acquired by the Company and held in its treasury. The closing price of our Common Stock as reported on NASDAQ on April 18, 2018 was \$63.80 per share.

*Annual Individual Limitations (other than Nonemployee Directors).*



The maximum number of shares for which stock options may be granted and the maximum number of shares for which stock appreciation rights may be granted to any person during any calendar year under the 2018 Plan is, in each case, 200,000 shares.

The maximum number of shares subject to other awards that are denominated in our Common Stock that may be granted to any person during any calendar year is 500,000 shares.

The maximum dollar amount payable to any person in respect of cash awards in any calendar year is \$7,000,000. The foregoing limitations do not apply to nonemployee members of the Board, whose awards are subject to the limits described below.

*Annual Nonemployee Director Limits.* In the case of a nonemployee director, the maximum grant-date fair market value (determined in accordance with applicable financial accounting rules) of stock-based awards granted under the 2018 Plan in any calendar year is \$400,000 (or \$500,000, in the case of a nonemployee chairman of the

board of directors or lead director). Nonemployee directors are not eligible to receive cash awards under the 2018 Plan. The foregoing limitations do not apply to any award granted pursuant to a director's election to receive shares in lieu of cash retainers or other fees.

*Types of Awards.* The 2018 Plan provides for grants of stock options, SARs, restricted and unrestricted stock, restricted and unrestricted stock units, performance awards, cash awards and other awards convertible into or otherwise based on shares of our Common Stock. Dividend equivalents may also be provided in connection with awards under the 2018 Plan. Awards may be settled in shares of our Common Stock, in cash or in a combination of cash and shares.

*Restricted and Unrestricted Stock Units.* A stock unit is an unfunded and unsecured promise, denominated in shares of Common Stock, to deliver Common Stock or cash measured by the value of our Common Stock in the future. The delivery of Common Stock or cash in respect of a stock unit may be subject to satisfaction of performance or other vesting conditions.

*Performance Awards.* A performance award is an award the vesting, settlement or exercisability of which is subject to specified performance criteria.

*Cash Awards.* A cash award is an award denominated in cash and may include performance awards.

*Stock Options.* The 2018 Plan provides for the grant of incentive stock options ( ISOs ) and nonqualified stock options ( NSOs ). The exercise price of a stock option granted under the 2016 Plan shall not be less than 100% of the fair market value of a share of our Common Stock (or, in the case of an ISO granted to a ten percent shareholder, 110%) on the date of grant. Fair market value shall be determined in accordance with the requirements of Section 422 and Section 409A of the Code. Subject to the foregoing, the Administrator will determine the exercise price of each stock option granted under the 2018 Plan on the basis of the closing price of the stock on the date of grant. Stock options will have a maximum term of ten years from the date of grant. The exercise price of stock options may be paid in cash, by check or by such other means as may be acceptable to the Administrator.

*Stock Appreciation Rights (SARs).* A SAR entitles the holder upon exercise to receive an amount (payable in cash or Common Stock) equal to the excess of the fair market value of the shares of Common Stock subject to the SAR over the base value from which appreciation is measured. Such base value may not be less than the fair market value of a share of our Common Stock on the date of grant.

*Restricted and Unrestricted Stock.* A restricted stock award is an award of Common Stock subject to restrictions requiring it to be redelivered or offered for sale to the Company if specified conditions are not satisfied, while an unrestricted stock award is an award of Common Stock that is not subject to restrictions.

*Vesting; Other Terms and Conditions.* The Administrator determines the terms and conditions of all awards, including the vesting schedule, if any, applicable to each award. Subject to the terms of the 2018 Plan, the

Administrator has the authority to waive or modify the terms and conditions applicable to any award and to accelerate the vesting or exercisability of any award.

*Termination of Employment or Service.* The Administrator determines the effect of termination of employment or other service on awards. The 2018 Plan provides default rules governing how awards are treated in the event that a participant's employment or other service terminates. Upon termination of a participant's employment or other service, all awards requiring exercise will cease to be exercisable and will terminate, and all other awards, to the extent not vested, will be forfeited unless the administrator provides otherwise. Notwithstanding the above, unless the administrator provides otherwise, if a participant dies or terminates employment or service by reason of disability, stock options and SARs exercisable immediately prior to such death or disability may be exercised by the participant or the participant's executor, administrator or transferee, as applicable, during a period of one year following such death or termination by reason of disability (or for the remainder of their original term, if less). In the case of termination of the participant's employment or service for reasons other than death or disability, stock options and SARs will remain exercisable, to the extent they were exercisable immediately prior to termination, for three months (or for the remainder of their original term, if less); provided that if in the Administrator's judgment the reason for the participant's termination casts such discredit on the participant so as to justify immediate termination of the award, then such award, whether or not vested, will immediately terminate.

---

**PROPOSAL NO. 4**

*Transferability.* Neither ISOs nor, except as the Administrator otherwise expressly provides, other awards may be transferred other than by will or by the laws of descent and distribution. During a participant's lifetime ISOs and, except as the Administrator otherwise expressly provides, other awards requiring exercise may be exercised only by the recipient.

*Performance Criteria.* The 2018 Plan provides that performance awards may be made subject to achieving performance criteria over a specified performance period. The Administrator will use one or more objectively determinable measures of performance relating to any combination of the following (measured either absolutely or by reference to an index or indices and determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, or amortization, whether or not on a continuing operations or an aggregate or per share basis (basic or fully diluted); return on equity, investment, capital or assets; one or more operating ratios such as earnings before interest, taxes, and/or depreciation and amortization; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; free cash flow, cash flow, return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; stock price; shareholder return; sales of particular products or services; customer acquisition or retention; acquisitions and divestitures (in whole or in part); economic value added; strategic business criteria, consisting of one or more objectives based on meeting specific market penetration, geographic business expansion goals, facility construction or completion goals, geographic facility relocation or completion goals, cost targets, customer satisfaction, supervision of litigation or information technology; joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings.

Performance criteria and any targets with respect thereto need not be based upon an increase, a positive or improved result or avoidance of loss. The Administrator may provide in the case of any award that one or more of the performance criteria applicable to such award will be adjusted in an objectively determinable manner to reflect events (for example, but without limitation, acquisitions or dispositions) occurring during the performance period that affect the applicable performance criteria.

*Repricing.* Stock options or SARs granted under the 2018 Plan may not be repriced, nor may any consideration be paid upon the termination, cancellation, voluntary surrender or exchange of any stock options or SARs, in each case, without shareholder approval in accordance with any applicable stock exchange listing standards.

*Clawback.* Awards granted under the 2018 Plan are subject to forfeiture, termination and rescission, and a participant will be obligated to return any payments received in respect of awards to the extent provided in the award, as may be required by law, or as provided in any applicable Company clawback or recoupment policy.

*Corporate Transactions.* In the event of the consummation of a consolidation, merger or similar transaction or series of related transactions, a sale of all or substantially all of the Company's assets or a dissolution or liquidation of the Company (each, a Covered Transaction), the 2018 Plan permits the Administrator to, among other things, provide for the continuation or assumption of outstanding awards, for new grants in substitution of outstanding awards, for the accelerated vesting or delivery of shares of common stock under awards or for a cash out of outstanding awards, in each case on such terms and with such restrictions as it deems appropriate. Except as the Awards may otherwise determine, awards not assumed will terminate upon the consummation of such Covered Transaction.

*Adjustments.* In the event of a stock dividend, stock split or combination or shares (or reverse stock split), recapitalization or other change in the Company's capital structure that constitutes an equity restructuring within the

meaning of FASB ASC Topic 718, the Administrator will make appropriate adjustments to the limits described above and will also make appropriate adjustments to the number and kind of shares of stock or securities subject to awards, to the exercise prices of awards and to other provisions of awards affected by the change. The Administrator may also make similar adjustments to take into account other distributions to shareholders or any other event, if the Administrator determines that adjustments are appropriate to avoid distortion in the operation of the 2018 Plan and to preserve the value of awards.

*Amendment.* The Administrator may amend the 2018 Plan or any outstanding award at any time, provided that except as otherwise expressly provided in the 2018 Plan the Administrator may not, without the participant's consent, alter the terms of an award so as to affect materially and adversely the participant's rights under the award, unless the administrator expressly reserved the right to do so at the time of the award. No such amendment will, without the approval of the shareholders of the Company, effectuate a change for which shareholder approval is required by law (including the Code and applicable stock exchange requirements).

### **Federal Income Tax Consequences**

The following discussion summarizes certain U.S. federal income tax consequences of the issuance and receipt of awards under the 2018 Plan. The summary does not purport to cover federal employment tax or other U.S. federal tax consequences that may be associated with the 2018 Plan, nor does it cover state, local or non-U.S. taxes, except as specifically noted.

*RSUs and PSUs.* The grant of an RSU or PSU does not itself generally result in taxable income. Instead, the participant realizes taxable ordinary income upon settlement, in an amount generally equal to the fair market value of any cash or shares received in settlement (a corresponding deduction is generally available to the Company at this time), and the participant will be subject to withholding for federal income and other taxes, each as applicable.

If the shares delivered in settlement of an RSU or PSU are restricted for tax purposes, the participant will instead be subject to the rules described below for restricted stock.

*Incentive Stock Options.* In general, a participant does not realize taxable income upon the grant or exercise of an ISO. However, the exercise of an ISO may result in an alternative minimum tax liability to the participant.

With certain exceptions, a disposition of shares purchased under an ISO within two years from the date of grant or within one year after exercise produces ordinary income to the participant (and generally a corresponding deduction to the Company) equal to the difference between the fair market value of the shares at the time of exercise and the exercise price. Any additional gain recognized in the disposition is treated as a capital gain to the participant (for which the Company would not be entitled to a deduction).

If, instead, the participant does not dispose of ISO shares until after the expiration of the above-described one- and two-year holding periods, any gain or loss recognized upon a subsequent sale is treated as a long-term capital gain or loss to the participant and the Company would not be entitled to a corresponding deduction.

*Nonstatutory Options.* In general, in the case of an NSO, a participant does not realize taxable income at the time of grant. Upon with the participant's exercise of the NSO, the participant would generally realize taxable income in an amount equal to the excess (at the time of exercise) of the fair market value of the shares acquired upon exercise over the exercise price. A corresponding deduction is generally available to the Company. Upon a subsequent sale or exchange of the shares, appreciation or depreciation after the date of exercise is treated as capital gain or loss for which the Company would not be entitled to a deduction.

In general, an ISO that is exercised more than three months after termination of employment (other than termination by reason of death or permanent and total disability) is treated as an NSO. ISOs are also treated as non-ISOs to the extent they first become exercisable by an individual in any calendar year for shares having a fair market value

(determined as of the date of grant) in excess of \$100,000.

*SARs.* The grant of a SAR does not itself result in taxable income, nor does taxable income result merely because a SAR becomes exercisable. In general, a participant who exercises a SAR for shares of stock or receives payment in cancellation of a SAR will have ordinary income equal to the amount of any cash and the fair market value of any stock received. A corresponding deduction is generally available to the Company.

**PROPOSAL NO. 4**

*Restricted Stock.* A participant who is awarded or purchases shares subject to a substantial risk of forfeiture generally does not realize taxable income until the risk of forfeiture lapses. When the risk of forfeiture lapses, the participant would realize ordinary income equal to the excess of the fair market value of the shares at that time over the purchase price, if any, and a corresponding deduction would generally be available to the Company in the same year that the participant recognizes income. However, a participant may make an election under Section 83(b) of the Code to be taxed on restricted stock at the time of grant or purchase. A participant who makes an effective 83(b) election will realize ordinary income equal to the fair market value of the shares as of the time of grant or acquisition less any price paid for the shares. A corresponding deduction will generally be available to the Company. If a participant makes an effective 83(b) election, no additional income results by reason of the lapsing of the restrictions. Any subsequent gain would be capital gain income to the participant (for which the Company would not be entitled to a corresponding deduction).

Dividends that are received by a participant before the shares are taxed to the participant under the rules described in the preceding paragraph are taxed as additional ordinary income, not as dividend income. The tax basis in the ordinary shares received by a participant will equal the amount recognized by the participation as ordinary income under the rules described in the preceding paragraph, and the participant's capital gains holding period in those shares will commence on the later of the date the shares are received or the restrictions lapse.

*Unrestricted Stock.* A participant who purchases or is awarded unrestricted stock generally has ordinary income equal to the excess of the fair market value of the shares over the purchase price, if any, and a corresponding deduction is generally available to the Company in the same year that the participant recognizes income. A participant who purchases or is awarded restricted stock has income as described in the preceding paragraph.

*Certain Change of Control Payments.* Under Section 280G of the Code, the vesting or accelerated exercisability of stock options or the vesting and payments of other awards in connection with a change of control of a corporation may be required to be valued and taken into account in determining whether participants have received compensatory payments, contingent on the change of control, in excess of certain limits. If these limits are exceeded, a substantial portion of amounts payable to the participant, including income recognized by reason of the grant, vesting or exercise of awards may be subject to an additional 20% federal excise tax and may be non-deductible to the Company. The Company does not provide for reimbursement or gross-ups of any such excise tax incurred by a participant.

*Section 409A.* Awards under the 2018 Plan are intended either to be exempt from the rules of Section 409A or to satisfy those rules and shall be construed accordingly. The Company does not provide for reimbursement or gross-ups to any participant with respect to any adverse tax consequences arising to a participant under Section 409A.

**New Plan Benefits**

No awards will be granted under the 2018 Plan prior to its approval by shareholders. Future awards under the 2018 Plan are discretionary and are therefore undeterminable at this time.

**THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE APPROVAL OF THE 2018 INCENTIVE PLAN AS SET FORTH HEREIN.**



**STOCK OWNERSHIP****STOCK OWNERSHIP**

The following table sets forth, as of April 2, 2018, information regarding beneficial ownership of our Common Stock by:

Each shareholder who is known to us to be the beneficial owner of 5% or greater of our Common Stock, based on currently available Schedules 13G and 13D filed with the SEC, as may be updated by a Statement of Change of Beneficial Ownership of Securities on Form 4 subsequently filed with the SEC;

Each Director;

Each of our NEOs; and

All of our Executive Officers and members of our Board as a group.

Unless otherwise indicated, each shareholder has sole voting and dispositive power with respect to the shares of Common Stock beneficially owned by that shareholder. The number of shares of Common Stock beneficially owned is determined under rules issued by the SEC. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power and any shares as to which the individual or entity has the right to acquire beneficial ownership within 60 days of April 2, 2018, through the exercise of any stock option or other right. The inclusion in the following table of those shares, however, does not constitute an admission that the named shareholder is a direct or indirect beneficial owner. The number of shares of our Common Stock issued and outstanding as of April 2, 2018 was 25,561,798. Except as otherwise indicated in the table below, addresses of named beneficial owners are c/o Atlas Air Worldwide Holdings, Inc., 2000 Westchester Avenue, Purchase, NY 10577.

**Beneficial Ownership Table**

Name and Address of Beneficial Owner	Percentage of	
	Number of shares Beneficially Owned	Outstanding Shares Beneficially Owned
<b>5% Shareholders:</b>		
BlackRock, Inc. <sup>(a)</sup> 55 East 52 <sup>nd</sup> Street New York, NY 10022	3,077,890	12.0%
The Vanguard Group <sup>(b)</sup> 100 Vanguard Boulevard	2,418,248	9.5%

Edgar Filing: ATLAS AIR WORLDWIDE HOLDINGS INC - Form DEF 14A

Malvern, PA 19355 Dimensional Fund Advisors LP <sup>(c)</sup> Building One 6300 Bee Cave Road Austin, TX 78746	2,141,406	8.4%
Amazon.com, Inc. <sup>(d)</sup> 410 Terry Avenue North Seattle, WA 98109	1,521,657	6.0%

**STOCK OWNERSHIP**

Name and Address of Beneficial Owner	Number of shares Beneficially Owned	Percentage of Outstanding Shares Beneficially Owned
<b>Directors:</b>		
Robert F. Agnew <sup>(e)</sup>	31,973	*
Timothy J. Bernlohr <sup>(e)</sup>	35,742	*
Charles F. Bolden, Jr.	1,024	*
James S. Gilmore III <sup>(e)</sup>	32,862	*
Bobby J. Griffin	2,479	*
Carol B. Hallett <sup>(e)</sup>	34,462	*
Frederick McCorkle <sup>(e)</sup>	43,778	*
Duncan J. McNabb	12,969	*
John K. Wulff	27,479	*
<b>Nominees:</b>		
Jane H. Lute	0	*
Sheila A. Stamps	0	*
<b>Director and NEO:</b>		
William J. Flynn	146,958	*
<b>Other NEO:</b>		
John W. Dietrich	45,741	*
Michael T. Steen	67,283	*
Adam R. Kokas	44,130	*
Spencer Schwartz	37,967	*
<b>All Directors, Nominees and executive officers as a group (17 persons, including the persons listed above)</b>	<b>573,367</b>	<b>2.2%</b>

\* Represents less than 1% of the outstanding shares of Common Stock.

(a) This information is based on a Schedule 13G/A filed with the SEC on February 8, 2018. As set forth in this filing, BlackRock, Inc. has sole voting power over 3,039,458 shares and sole dispositive power with regard to 3,077,890 shares. We have not made any independent determination as to the beneficial ownership of this shareholder and are not restricted in any determination we may make by reason of inclusion of such shareholder or their shares in this table.

(b) This information is based on Schedule 13G/A filed with the SEC on February 12, 2018. As set forth in this filing, The Vanguard Group has sole voting power over 24,836 shares, sole dispositive power with regard to 2,393,226 shares, shared voting power over 678 shares and shared dispositive power over 25,022 shares. We have not made any independent determination as to the beneficial ownership of this shareholder and are not restricted in any determination we may make by reason of inclusion of such shareholder or their shares in this table.

(c)

This information is based on Schedule 13G/A filed with the SEC on February 9, 2018. As set forth in this filing, Dimensional Fund Advisors LP has sole voting power over 2,056,583 shares and sole dispositive power with regard to 2,141,406 shares. We have not made any independent determination as to the beneficial ownership of this shareholder and are not restricted in any determination we may make by reason of inclusion of such shareholder or their shares in this table

<sup>(d)</sup>This information is based on Schedule 13G/A filed with the SEC on January 26, 2018. Amazon.com, Inc. has sole voting power and sole dispositive power over 1,521,657 shares. These notional share amounts are calculated with reference to applicable notification and clearance thresholds in the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act ), and are reported with reference to the market price of the Company's common stock (as calculated pursuant to the HSR Act) and the applicable HSR thresholds as of December 31, 2017. We have not made any independent determination as to the beneficial ownership of this shareholder and are not restricted in any determination we make by reason of inclusion of such shareholder or their shares in this table.

<sup>(e)</sup>Includes shares issuable on vesting of restricted stock units on May 24, 2018.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act ) requires certain of our executive officers, as well as our Directors and persons who own more than 10% of a registered class of AAWW s equity securities, to file reports of ownership and changes in ownership with the SEC. Based solely on our review of the reporting forms received by us or written representations from reporting persons, we believe that during the last fiscal year all executive officers and Directors complied with their filing requirements under Section 16(a) for all reportable transactions during the year, except that Form 4 Reports for Messrs. Flynn, Dietrich, Steen, Kokas, Schwartz and an unnamed Executive Officer reporting the award of restricted stock units on March 9, 2017 were filed two days late.

### **Certain Relationships and Related Person Transactions**

Our Code of Conduct Applicable to our CEO, Senior Financial Officers and Members of the Board of Directors (the Code of Ethics ), which is available on our website at [www.atlasair.com](http://www.atlasair.com) under the Corporate Background section, provides that such officers and Directors should follow the guidelines outlined in our Employee Handbook and Code of Conduct and communicate any potential or actual conflicts of interest (however immaterial) to the Chairman of the Board, the Chairman of the Audit Committee of the Board of Directors, and the General Counsel so that an objective, third-party review can be made of the matter. Pursuant to our Audit Committee Charter, which is also available on our website at [www.atlasair.com](http://www.atlasair.com), the Audit Committee reviews reports and disclosures of insider and affiliated party transactions and/or conflicts of interest or potential conflicts of interest involving corporate officers and members of the Board of Directors. The Audit Committee, when appropriate, will also review and approve any involvement of corporate officers and members of the Board of Directors in matters that might constitute a conflict of interest or that may otherwise be required to be disclosed as a related party transaction under SEC regulations. Our Nominating and Governance Committee separately determines Director Independence as summarized in [Director Independence](#) above.

## **DEADLINE FOR RECEIPT OF SHAREHOLDER PROPOSALS**

### **DEADLINE FOR RECEIPT OF SHAREHOLDER PROPOSALS TO BE PRESENTED**

#### **AT THE 2019 ANNUAL MEETING**

#### **Shareholder Proposals to Be Included in Our 2019 Proxy Statement**

We currently expect to hold our 2019 annual meeting of shareholders on or about May 22, 2019. Under the rules of the SEC, if a shareholder wants us to include a proposal in the proxy statement and form of proxy for presentation at our 2019 annual meeting, the proposal must be received by our Secretary no later than December 24, 2018. All shareholder proposals must be made in writing and addressed to the Office of the Secretary, Atlas Air Worldwide Holdings, Inc., 2000 Westchester Avenue, Purchase, NY 10577.

#### **Proxy Access Notice Procedures**

Notices of proxy access Director Nominees for the 2019 annual meeting of shareholders must include the information required by the By-Laws and be delivered to our Secretary at our principal executive offices at 2000 Westchester Avenue, Purchase, NY 10577 not earlier than November 24, 2018 and not later than December 24, 2018. A copy of the By-Laws will be sent to any shareholder upon written request to the Secretary.

#### **Advance Notice Procedures**

In addition, under our By-Laws, and as permitted by the rules of the SEC, no shareholder nominations of persons for election to the Board of Directors (other than a Director Nominee nominated for inclusion in our proxy materials pursuant to our proxy access By-Law) and no other business may be brought before the 2019 annual meeting of shareholders except as specified in the notice of the meeting or otherwise brought before such annual meeting by or at the direction of the Board or by a shareholder entitled to vote who has delivered notice to us (containing certain information specified in our By-Laws) not earlier than January 23, 2019 and not later than February 22, 2019. A copy of the By-Laws will be sent to any shareholder upon written request to the Secretary of AAWW. These requirements are separate and apart from, and in addition to, the SEC's requirements that a shareholder must meet in order to have his or her proposal included in our Proxy Statement as discussed above.

### **ADDITIONAL INFORMATION**

#### **Shares Registered in the Name of a Bank, Broker or Nominee**

Brokerage firms and banks holding shares in street name for customers are required to vote such shares in the manner directed by their customers. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker, bank or nominee which is considered, with respect to those shares, the shareholder of record. As

the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote and are also invited to attend the meeting. Your broker, bank or nominee has enclosed herewith or separately provided a voting instruction form for you to use in directing the broker, bank or nominee how to vote your shares. However, since you are not the shareholder of record, you may not vote these shares in person at the meeting unless you obtain a signed proxy from the record holder giving you the right to vote these shares. You should note that if you hold your shares through a brokerage firm, a bank or other nominee, the broker, bank or other nominee that holds the stock will not be able to vote your shares on any proposal other than ratifying the selection of PricewaterhouseCoopers LLP, unless you have provided specific voting instructions. See [Broker Non-Votes](#) and [Quorum, Vote Required](#) herein for additional information.

If you hold your shares directly in your own name, they will not be voted if you do not vote them at the Annual Meeting or provide a proxy.

## **Broker Non-Votes**

A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner, but does have discretionary voting power over other routine items and submits votes for those matters. As discussed above, if you hold your shares through a broker, bank or other nominee and do not provide specific instructions to your broker, bank or other nominee, your shares may not be voted with respect to the following nonroutine proposals:

Proposal No. 1 (election of the Company's Directors);

Proposal No. 3 (the Say-on-Pay vote); and

Proposal No. 4 (approval of our 2018 Incentive Plan)

We do not expect to have any broker non-votes with respect to Proposal No. 2, which is routine and which provides for the ratification of the selection of PricewaterhouseCoopers LLP to serve as the independent registered public accounting firm for the Company for the year ending December 31, 2018.

## **Revocability of Proxies**

If you hold your shares registered in your name, you may revoke your proxy at any time before its use by delivering to the Secretary of AAWW a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person. Attending the Annual Meeting in and of itself will not constitute a revocation of a proxy.

If your shares are held in street name and you wish to revoke your proxy and vote at the Annual Meeting, you must contact your broker, bank or other nominee and follow the requirements set by your broker, bank or nominee. We cannot guarantee that you will be able to revoke your proxy or attend and vote at the Annual Meeting.

## **Proxy Solicitation**

This proxy solicitation is being made by our Board, and the cost of soliciting proxies will be borne by us. We expect to reimburse brokerage firms, banks, custodians and other persons representing beneficial owners of shares of Common Stock for their reasonable out-of-pocket expenses in forwarding solicitation material to such beneficial owners. Proxies may be solicited by certain of our Directors, officers and other employees, without additional compensation, in person or by telephone, e-mail or facsimile. We have retained Morrow Sodali LLC, 470 West Avenue, Stamford, Connecticut 06902, to assist us in the solicitation of proxies and will pay Morrow Sodali a fee of



approximately \$14,000, plus out-of-pocket expenses, all related to the solicitation.

### **Proxy Tabulation**

Proxies and ballots will be received and tabulated by an independent entity that is not affiliated with us. The inspectors of election will also be independent of us. Comments on written proxy cards will be provided to the Secretary of AAWW without disclosing the vote unless the vote is necessary to understand the comment.

### **Separate Voting Materials**

Some banks, brokers and other record holders have begun the practice of householding proxy statements and annual reports. Householding is the term used to describe the practice of delivering a single set of proxy statements and annual reports to a household at which two or more shareholders reside if a company reasonably believes the shareholders are members of the same family. This procedure reduces the volume of duplicate information shareholders receive and also reduces printing and mailing costs. If you participate in householding

---

## **ADDITIONAL INFORMATION**

and wish to continue receiving individual copies of our proxy statement and annual report, please write or call us at the following address or phone number: Office of the Secretary, Atlas Air Worldwide Holdings, Inc., 2000 Westchester Avenue, Purchase, NY 10577, (914) 701-8000. We will promptly deliver an additional copy of the proxy and/or the annual report to any shareholder who so requests.

### **List of Shareholders**

At the Annual Meeting and for 10 days prior to the meeting, the names of shareholders entitled to vote at the Annual Meeting will be available for inspection for any purpose germane to the meeting, between the hours of 9 a.m. and 5 p.m., at our principal executive offices located at 2000 Westchester Avenue, Purchase, New York 10577, by contacting the Secretary of AAWW.

### **Additional Copies of Annual Report**

A copy of our 2017 Annual Report accompanies this Proxy Statement. If any person who was a beneficial owner of Common Stock on the Record Date desires additional copies, such copies may be obtained without charge upon request in writing addressed to the Office of the Secretary, Atlas Air Worldwide Holdings, Inc., 2000 Westchester Avenue, Purchase, NY 10577. Each such copy of our 2017 Annual Report so furnished does not include any exhibits thereto, but is accompanied by a list briefly describing all such exhibits. We will furnish any such exhibit upon written request and upon payment of a reasonable specified fee. The Form 10-K is also available on our website at [www.atlasair.com](http://www.atlasair.com).

### **Limited Voting by Foreign Owners**

To comply with restrictions imposed by federal aviation law on foreign ownership of U.S. airlines, our Certificate of Incorporation and By-Laws restrict foreign ownership of shares of our Common Stock. The restrictions imposed by federal aviation law (49 U.S.C. §41102) currently include a requirement that no more than 25% of our voting stock be owned or controlled, directly or indirectly, by persons who are not Citizens of the United States. There is a separate requirement that we be under the actual control of Citizens of the United States.

Pursuant to our By-Laws, there is a separate stock record, designated the Foreign Stock Record for the registration of Voting Stock that is Beneficially Owned by aliens. Voting Stock means all outstanding shares of our capital stock that we may issue from time to time which, by their terms, may vote. Beneficially Owned refers to owners of our securities who, directly or indirectly, have or share voting power and/or investment power.

At no time will ownership of our shares of Common Stock representing more than the Maximum Percentage be registered in the Foreign Stock Record. Maximum Percentage refers to the maximum percentage of voting power of Voting Stock which may be voted by, or at the direction of, aliens without violating applicable statutory, regulatory or interpretative restrictions or adversely affecting our, Atlas's or Polar's operating certificates or authorities. If we find that the combined voting power of Voting Stock then registered in the Foreign Stock Record exceeds the Maximum Percentage, the registration of such shares will be removed from the Foreign Stock Record sufficient to reduce the

combined voting power of the shares so registered to an amount not in excess of the Maximum Percentage.

**The enclosed proxy card contains a certification that by signing the proxy card the shareholder certifies that such shareholder is a Citizen of the United States as defined by 49 U.S.C. §40102(a)(15) or that the shares represented by the proxy card have been registered on our Foreign Stock Record.**

We will promptly deliver a copy of our By-laws to any shareholder who writes or calls us at the following address or phone number: Office of the Secretary, Atlas Air Worldwide Holdings, Inc., 2000 Westchester Avenue, Purchase, NY 10577, (914) 701-8000.

### **Extent of Incorporation by Reference of Certain Materials**

The Audit Committee Report and the Compensation Committee Report on Executive Compensation included in this Proxy Statement do not constitute soliciting materials and should not be deemed filed or incorporated by reference into any other filing made by us under or subject to Regulation 14A or 14C (other than Item 7 to Regulation 14A), or to the liabilities of Section 18 of the Exchange Act, except to the extent we specifically incorporate such reports by reference therein.

**OTHER MATTERS**

**OTHER MATTERS**

As of the date of this Proxy Statement, we know of no business that will be presented for consideration at the Annual Meeting other than the election of Directors, the ratification of the selection of our independent registered public accounting firm, the approval of our 2018 Incentive Plan and the advisory vote on Say-on-Pay, all as described above. If any other matter is properly brought before the Annual Meeting for action by the shareholders, all proxies (in the enclosed form) returned to us will be voted in accordance with the recommendation of the Board of Directors or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

**IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY AND THAT YOUR SHARES BE REPRESENTED. SHAREHOLDERS ARE URGED TO FILL IN, SIGN AND PROMPTLY RETURN THE ACCOMPANYING FORM OF PROXY IN THE ENCLOSED ENVELOPE.**

By Order of the Board of Directors,

WILLIAM J. FLYNN  
President and Chief Executive Officer

**Atlas Air Worldwide Holdings, Inc.****Reconciliation of GAAP to Non-GAAP Measures***(in thousands)**(Unaudited)*

The Compensation Discussion and Analysis contains certain non-GAAP financial measures to assist in the evaluation of our business performance. These non-GAAP measures include Adjusted Diluted EPS from continuing operations, net of taxes, Adjusted income from continuing operations, net of taxes, Adjusted EBITDA and Free Cash Flow, which exclude certain items. These non-GAAP measures may not be comparable to similarly titled measures used by other companies and should not be considered in isolation or as a substitute for Income from continuing operations, net of taxes, Diluted EPS from continuing operations, net of taxes, and net cash provided by operating activities, which are the most directly comparable measures of performance prepared in accordance with GAAP.

Our management uses these non-GAAP financial measures in assessing the performance of the Company's ongoing operations. We believe that these adjusted measures provide meaningful information to assist investors and analysts in understanding our financial results and assessing our prospects for future performance.

We calculate Free Cash Flow as Net Cash Provided by Operating Activities minus Capital expenditures, excluding the purchase of flight equipment, and Capitalized interest.

	2017	2016	Change
<b>Net Cash Provided by Operating Activities</b>	\$ 331,719	\$ 232,182	
Less:			
Capital expenditures, excluding payments for flight equipment and modifications	(87,555)	(46,717)	
Capitalized interest	(7,389)	(3,313)	
<b>Free Cash Flow</b>	\$ 236,775	\$ 182,152	30.0%

Adjusted earnings before interest, taxes, depreciation and amortization is calculated as follows:

	2017	2016	Change
<b>Income from continuing operations before income taxes</b>	\$ 143,372	\$ 89,416	
U.S. Tax Cuts and Jobs Act special bonus	3,684		
Gain on disposal of aircraft	(31)	(11)	
Special charge	106	10,140	
Costs associated with transactions	4,772	45,598	
Accrual for legal matters and professional fees	4,129	6,465	
Noncash expenses and income, net	17,934	8,111	
Charges associated with refinancing debt	167	132	
Unrealized loss on investments	12,533	2,888	
<b>Adjusted pretax income</b>	186,666	162,739	

Edgar Filing: ATLAS AIR WORLDWIDE HOLDINGS INC - Form DEF 14A

Interest expense (income), net	75,631	70,616	
Other non-operating expenses (income)	(387)	70	
<b>Adjusted operating income</b>	261,910	233,425	
Depreciation and amortization	166,713	148,876	
<b>Adjusted EBITDA</b>	\$ 428,623	\$ 382,301	12.1%

Atlas Air Worldwide Holdings, Inc. 2018 Notice & Proxy Statement | A-1

**EXHIBIT A**

Adjusted income from continuing operations, net of taxes and Adjusted Diluted EPS from continuing operations, net of taxes are calculated as follows:

	2017	2016	Change
<b>Income from continuing operations, net of taxes</b>	\$ 224,338	\$ 42,625	
Impact from:			
U.S. Tax Cuts and Jobs Act special bonus	3,684		
Gain on disposal aircraft	(31)	(11)	
Special charge	106	10,140	
Costs associated with transactions	4,772	45,598	
Accrual for legal matters and professional fees	4,129	6,465	
Noncash expenses and income, net	17,934	8,111	
Charges associated with refinancing debt	167	132	
Unrealized loss on financial instruments	12,533	2,888	
Income tax effect of reconciling items	(3,962)	(1,651)	
Impact of U.S. Tax Cuts and Jobs Act	(129,977)		
<b>Adjusted income from continuing operations, net of taxes</b>	133,693	114,297	17.0%
Weighted average diluted shares outstanding	25,854	25,120	
Add: dilutive warrants	1,293	299	
effect of convertible notes hedges	(27)		
<b>Adjusted weighted average diluted shares outstanding</b>	27,120	25,419	
<b>Adjusted Diluted EPS from continuing operations, net of taxes</b>	\$ 4.93	\$ 4.50	9.6%

A-2 | Atlas Air Worldwide Holdings, Inc. 2018 Notice & Proxy Statement



**Atlas Air Worldwide Holdings, Inc.**

**2018 INCENTIVE PLAN**

**1. DEFINED TERMS**

Exhibit A, which is incorporated by reference, defines the terms used in the Plan and sets forth certain operational rules related to those terms.

**2. PURPOSE**

The Plan has been established to advance the interests of the Company by providing for the grant to Participants of Stock-based and other incentive Awards.

**3. ADMINISTRATION**

The Administrator has discretionary authority, subject only to the express provisions of the Plan, to interpret the Plan; determine eligibility for and grant Awards; determine, modify or waive the terms and conditions of any Award; prescribe forms, rules and procedures; and otherwise do all things necessary or desirable to carry out the purposes of the Plan. Determinations of the Administrator made under the Plan will be conclusive and will bind all parties.

**4. LIMITS ON AWARDS UNDER THE PLAN**

**(a) Number of Shares.** Subject to adjustment as provided in Section 7(b), the maximum number of shares of Stock that may be delivered in satisfaction of Awards under the Plan is 400,000 shares of Stock plus unused Prior Plan shares of Stock. For purposes of the preceding sentence, shares of Stock shall be treated as unused Prior Plan shares of Stock (i) if they were subject to awards under the Prior Plan, other than restricted stock awards, that were outstanding on the day preceding the Effective Date, to the extent such Prior Plan awards are exercised or are satisfied, or terminate or expire, on or after the Effective Date without the delivery of such underlying shares, or (ii) if they were outstanding on the day preceding the Effective Date as restricted stock awards under the Prior Plan and are thereafter forfeited. For purposes of this Section 4(a), the number of shares of Stock delivered in satisfaction of Awards under the Plan will be determined (i) without regard to shares of Stock underlying the portion of any Award that is settled in cash or the portion of any Award that expires, terminates, or is forfeited, in each case, without the issuance of Stock, (ii) by treating as having been delivered the full number of shares covered by any portion of a SAR that is settled in Stock (and not only the number of shares of Stock delivered in settlement) and (iii) by treating as having been delivered any shares of Stock withheld from a Stock Option or other Award to satisfy the tax withholding obligations with respect to such Stock Option or other Award or in payment of the exercise price of such Stock Option. For the avoidance of doubt, the number of shares of Stock available for delivery under the Plan shall not be increased by any shares of Stock that are repurchased on the open market by the Company using proceeds directly attributable to Stock

Option exercises. The limits set forth in this Section 4(a) shall be construed to comply with Section 422. To the extent consistent with the requirements of Section 422 and with other applicable legal requirements (including applicable stock exchange requirements), Stock issued under awards of an acquired company that are converted, replaced, or adjusted in connection with the acquisition shall not reduce the number of shares available for Awards under the Plan.

**(b) Type of Shares.** Stock delivered by the Company under the Plan may be authorized but unissued Stock or previously issued Stock acquired by the Company. No fractional shares of Stock will be delivered under the Plan.

**(c) Individual Limits.** The maximum number of shares of Stock for which Stock Options may be granted to any person (other than a nonemployee member of the Board, whose Awards shall be subject to the limits set forth in subsection (d) below) in any calendar year and the maximum number of shares of Stock subject to SARs granted

## EXHIBIT B

to any person in any calendar year will each be 200,000. The maximum number of shares subject to other Awards granted to any such person in any calendar year will be 500,000 shares. The maximum amount payable to any such person in any calendar year under Cash Awards will be \$7,000,000.

**(d) Limitations on Awards to Nonemployee Directors.** Notwithstanding any other provision of the Plan to the contrary, including subsection (c) above, in the case of a nonemployee director, the maximum grant-date fair value of Stock-based Awards granted in any calendar year during any part of which the director is then eligible under the Plan shall be \$400,000, except that such limit for a nonemployee chairman of the Board or lead director shall be \$500,000, in each case, computed in accordance with FASB ASC Topic 718 (or any successor provision). The foregoing limits related to nonemployee directors of the Company shall not apply to any Award or shares of Stock granted pursuant to a Director's election to receive an Award or shares of Stock in lieu of cash retainers or other fees (to the extent such Award or shares of Stock have a fair value equal to the value of such cash retainers or other fees).

**(e) Additional Limitations.** No more than five percent (5%) of the maximum number of shares of Stock authorized to be issued under the Plan may be issued as Awards (other than Cash Awards) that specify a vesting date that is less than one year from the date of grant. Accelerated vesting on account of death, disability, or a Change in Control shall not be taken into account in applying the immediately preceding sentence.

## 5. ELIGIBILITY AND PARTICIPATION

The Administrator will select Participants from among those key Employees and directors of, and consultants and advisors to, the Company and its Affiliates who, in the opinion of the Administrator, are in a position to make a significant contribution to the success of the Company and its Affiliates; *provided* that, subject to such express exceptions, if any, as the Administrator may establish, eligibility shall be further limited to those persons as to whom the use of a Form S-8 registration statement is permissible; and *provided further* that nonemployee directors shall not be eligible for Cash Awards under the Plan. Eligibility for ISOs is limited to employees of the Company or of a parent corporation or subsidiary corporation of the Company as those terms are defined in Section 424 of the Code.

## 6. RULES APPLICABLE TO AWARDS

### **(a) All Awards**

**(1) Award Provisions.** The Administrator will determine the terms of all Awards, subject to the limitations provided herein. By accepting (or, under such rules as the Administrator may prescribe, being deemed to have accepted) an Award, the Participant will be deemed to have agreed to the terms of the Award and the Plan. Notwithstanding any provision of this Plan to the contrary, awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition may contain terms and conditions that are inconsistent with the terms and conditions specified herein, as determined by the Administrator.

**(2) Term of Plan.** No Awards may be made after May 22, 2028, but previously granted Awards may continue beyond that date in accordance with their terms.

**(3) Transferability.** Neither ISOs nor, except as the Administrator otherwise expressly provides in accordance with the second sentence of this Section 6(a)(3), other Awards may be transferred other than by will or by the laws of descent and distribution, and during a Participant's lifetime ISOs (and, except as the Administrator otherwise expressly provides in accordance with the second sentence of this Section 6(a)(3), other Awards requiring exercise) may be exercised only by the Participant. The Administrator may permit Awards other than ISOs to be transferred by gift, subject to such limitations as the Administrator may impose.

**(4) Vesting, Etc.** The Administrator may determine the time or times at which an Award will vest or become exercisable and the terms on which an Award requiring exercise will remain exercisable. Without limiting the foregoing, the Administrator may at any time accelerate the vesting or exercisability of an Award, regardless of any adverse or potentially adverse tax consequences resulting from such acceleration. Unless the Administrator

expressly provides otherwise, however, the following rules will apply: immediately upon the cessation of the Participant's Employment, each Award requiring exercise that is then held by the Participant or by the Participant's permitted transferees, if any, will cease to be exercisable and will terminate, and all other Awards that are then held by the Participant or by the Participant's permitted transferees, if any, to the extent not already vested will be forfeited, except that:

(A) subject to (B) and (C) below, all Stock Options and SARs held by the Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment, to the extent then exercisable, will remain exercisable for the lesser of (i) a period of three months or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon terminate;

(B) all Stock Options and SARs held by a Participant or the Participant's permitted transferees, if any, immediately prior to the Participant's death or termination from Employment by reason of Disability, to the extent then exercisable, will remain exercisable for the lesser of (i) the one year period ending with the first anniversary of the Participant's death or termination of Employment by reason of Disability or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon terminate; and

(C) all Stock Options and SARs (whether or not vested) held by a Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment will immediately terminate upon such cessation if the Administrator in its sole discretion determines that such cessation of Employment has resulted for reasons which cast such discredit on the Participant as to justify immediate termination of the Award.

**(5) Taxes.** The Administrator will make such provision for the withholding of taxes as it deems necessary. The Administrator may, but need not, hold back shares of Stock from an Award or permit a Participant to tender previously owned shares of Stock in satisfaction of tax withholding requirements.

**(6) Dividend Equivalents, Etc.** The Administrator may provide for the payment of amounts in lieu of dividends or other distributions with respect to Stock subject to an Award. Any entitlement to dividend equivalents or similar entitlements shall be established and administered consistent either with exemption from, or compliance with the requirements of Section 409A. Any such dividend equivalents or similar entitlements will be paid only to the extent that the underlying Award has vested.

**(7) Rights Limited.** Nothing in the Plan will be construed as giving any person the right to be granted an Award or to continued employment or service with the Company or its Affiliates, or any rights as a stockholder except as to shares of Stock actually issued under the Plan. The loss of existing or potential profit in Awards will not constitute an element of damages in the event of termination of Employment for any reason, even if the termination is in violation of an obligation of the Company or any Affiliate to the Participant.

**(8) Performance Awards.** This Section 6(a)(8) generally applies to any Performance Award intended to constitute performance-based compensation. With respect to such Performance Awards, the Administrator will preestablish, in writing, one or more specific Performance Criteria promptly after the commencement of the period of service to which the performance relates. Prior to grant, vesting or payment of the Performance Award, as the case may be, the Administrator will certify whether the applicable Performance Criteria have been attained and such determination will be final and conclusive.

**(9) Coordination with Other Plans.** Awards under the Plan may be granted in tandem with, or in satisfaction of or substitution for, other Awards under the Plan or awards made under other compensatory plans or programs of the Company or its Affiliates. For example, but without limiting the generality of the foregoing, awards under other compensatory plans or programs of the Company or its Affiliates may be settled in Stock (including, without limitation, Unrestricted Stock) under the Plan if the Administrator so determines, in which case the shares delivered shall be treated as awarded under the Plan (and shall reduce the number of shares thereafter available under the Plan in accordance with the rules set forth in Section 4).

**EXHIBIT B**

**(10) Section 409A.** Each Award shall contain such terms as the Administrator determines, and shall be construed and administered, such that the Award either (i) qualifies for an exemption from the requirements of Section 409A, or (ii) satisfies such requirements. Notwithstanding anything to the contrary in the Plan or any Award, if at the time of the Participant's termination of Employment, the Participant is a specified employee, within the meaning of Treasury Regulation 1.409A-1(i), as determined in the Administrator's sole discretion, any and all amounts payable pursuant to any Award that constitute a deferral of compensation subject to Section 409A and would (but for this provision) be payable within six (6) months following the date of termination of Employment, shall instead be paid on the next business day following the expiration of such six (6) month period or, if earlier, upon the Participant's death; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury Regulation Section 1.409A-1(b), as determined by the Administrator in its reasonable good faith discretion or (B) other amounts or benefits that are not subject to the requirements of Section 409A.

**(11) Certain Requirements of Corporate Law.** Awards shall be granted and administered consistent with the requirements of applicable Delaware law (or the corporate law of the state that the Company shall be then incorporated in) relating to the issuance of stock and the consideration to be received therefor, and with the applicable requirements of the stock exchanges or other trading systems on which the Stock is listed or entered for trading, in each case as determined by the Administrator.

**(b) Awards Requiring Exercise**

**(1) Time And Manner Of Exercise.** Unless the Administrator expressly provides otherwise, an Award requiring exercise by the holder will not be deemed to have been exercised until the Administrator receives a notice of exercise (in a form acceptable to the Administrator) signed by the appropriate person and accompanied by any payment required under the Award. If the Award is exercised by any person other than the Participant, the Administrator may require satisfactory evidence that the person exercising the Award has the right to do so.

**(2) Exercise Price.** The exercise price (or the base value from which appreciation is to be measured) of each Award requiring exercise shall be no less than 100% (in the case of an ISO granted to a ten-percent shareholder within the meaning of subsection (b)(6) of Section 422, 110%) of the fair market value of the Stock subject to the Award, determined as of the date of grant on the basis of the closing price of the Stock on such date, or such higher amount as the Administrator may determine in connection with the grant. Subject to Section 7, no Stock Option or SAR, once granted, may be repriced nor may any payment or other consideration be made upon the termination, cancellation, voluntary surrender or exchange of any such Stock Option or SAR, in each case, without prior stockholder approval in accordance with any applicable stock exchange listing standards. Fair market value shall be determined by the Administrator consistent with the applicable requirements of Section 422 and Section 409A.

**(3) Payment Of Exercise Price.** Where the exercise of an Award is to be accompanied by payment, payment of the exercise price shall be by cash or check acceptable to the Administrator, or, if so permitted by the Administrator and if legally permissible, (i) through the delivery of shares of Stock that have been outstanding for at least six months (unless the Administrator approves a shorter period) and that have a fair market value equal to the exercise price, (ii) through a broker-assisted exercise program acceptable to the Administrator, (iii) by other means acceptable to the Administrator, or (iv) by any combination of the foregoing permissible forms of payment. The delivery of shares in payment of the exercise price under clause (i) above may be accomplished either by actual delivery or by constructive delivery through attestation of ownership, subject to such rules as the Administrator may prescribe.

**(4) Maximum Term.** Awards requiring exercise will have a maximum term not to exceed ten (10) years from the date of grant.

**B-4** | Atlas Air Worldwide Holdings, Inc. *2018 Notice & Proxy Statement*



## 7. EFFECT OF CERTAIN TRANSACTIONS

(a) **Mergers, etc.** Except as otherwise provided in an Award, the following provisions shall apply in the event of a Covered Transaction:

(1) **Assumption or Substitution.** If the Covered Transaction is one in which there is an acquiring or surviving entity, the Administrator may provide for the assumption of some or all outstanding Awards or for the grant of new awards in substitution therefor by the acquiror or survivor or an affiliate of the acquiror or survivor.

(2) **Cash-Out of Awards.** If the Covered Transaction is one in which holders of Stock will receive upon consummation a payment (whether cash, non-cash or a combination of the foregoing) and in which there is no assumption or substitution, the Administrator may provide for payment (a cash-out ), with respect to some or all Awards or any portion thereof, equal in the case of each affected Award or portion thereof to the excess, if any, of (A) the fair market value of one share of Stock (as determined by the Administrator in its reasonable discretion) times the number of shares of Stock subject to the Award or such portion, over (B) the aggregate exercise or purchase price, if any, under the Award or such portion (in the case of a SAR, the aggregate base value above which appreciation is measured), in each case on such payment terms (which need not be the same as the terms of payment to holders of Stock) and other terms, and subject to such conditions, as the Administrator determines; *provided*, that the Administrator shall not exercise its discretion under this Section 7(a)(2) with respect to an Award or portion thereof providing for nonqualified deferred compensation subject to Section 409A in a manner that would constitute an extension or acceleration of, or other change in, payment terms if such change would be inconsistent with the applicable requirements of Section 409A.

(3) **Acceleration of Certain Awards.** If the Covered Transaction (whether or not there is an acquiring or surviving entity) is one in which there is no assumption, substitution or cash-out, each Award requiring exercise will become fully exercisable, and the delivery of any shares of Stock remaining deliverable under each outstanding Award of Stock Units (including Restricted Stock Units and Performance Awards to the extent consisting of Stock Units) will be accelerated and such shares will be delivered, prior to the Covered Transaction, in each case on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Administrator, following exercise of the Award or the delivery of the shares, as the case may be, to participate as a stockholder in the Covered Transaction; *provided*, that to the extent acceleration pursuant to this Section 7(a)(3) of an Award subject to Section 409A would cause the Award to fail to satisfy the requirements of Section 409A, the Award shall not be accelerated and the Administrator in lieu thereof shall take such steps as are necessary to ensure that payment of the Award is made in a medium other than Stock and on terms that as nearly as possible, but taking into account adjustments required or permitted by this Section 7, replicate the prior terms of the Award.

(4) **Termination of Awards Upon Consummation of Covered Transaction.** Each Award will terminate upon consummation of the Covered Transaction, other than the following: (i) Awards assumed pursuant to Section 7(a)(1) above; (ii) Awards converted pursuant to the proviso in Section 7(a)(3) above into an ongoing right to receive payment other than Stock; and (iii) outstanding shares of Restricted Stock (which shall be treated in the same manner as other shares of Stock, subject to Section 7(a)(5) below).

(5) **Additional Limitations.** Any share of Stock and any cash or other property delivered pursuant to Section 7(a)(2) or Section 7(a)(3) above with respect to an Award may, in the discretion of the Administrator, contain such restrictions, if any, as the Administrator deems appropriate to reflect any performance or other vesting conditions to

which the Award was subject and that did not lapse (and were not satisfied) in connection with the Covered Transaction. In the case of Restricted Stock that does not vest in connection with the Covered Transaction, the Administrator may require that any amounts delivered, exchanged or otherwise paid in respect of such Stock in connection with the Covered Transaction be placed in escrow or otherwise made subject to such restrictions as the Administrator deems appropriate to carry out the intent of the Plan.

**(b) Changes in and Distributions With Respect to Stock**

**(1) Basic Adjustment Provisions.** In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in the Company's capital structure that

---

**EXHIBIT B**

constitutes an equity restructuring within the meaning of FASB ASC Topic 718 (or any successor provision), the Administrator shall make appropriate adjustments to the maximum number of shares specified in Section 4(a) that may be delivered under the Plan and to the maximum share limits described in Section 4(c), and shall also make appropriate adjustments to the number and kind of shares of stock or securities subject to Awards then outstanding or subsequently granted, any exercise prices relating to Awards and any other provision of Awards affected by such change.

**(2) Certain Other Adjustments.** The Administrator shall also make adjustments of the type described in Section 7(b)(1) above to take into account distributions to stockholders other than those provided for in Section 7(a) and 7(b)(1), or any other event, if the Administrator determines that adjustments are appropriate to avoid distortion in the operation of the Plan and to preserve the value of Awards made hereunder, having due regard for the qualification of ISOs under Section 422 and the requirements of Section 409A where applicable.

**(3) Continuing Application of Plan Terms.** References in the Plan to shares of Stock will be construed to include any stock or securities resulting from an adjustment pursuant to this Section 7.

## **8. LEGAL CONDITIONS ON DELIVERY OF STOCK**

The Company will not be obligated to deliver any shares of Stock pursuant to the Plan or to remove any restriction from shares of Stock previously delivered under the Plan until: (i) the Company is satisfied that all legal matters in connection with the issuance and delivery of such shares have been addressed and resolved; (ii) if the outstanding Stock is at the time of delivery listed on any stock exchange or national market system, the shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance; and (iii) all conditions of the Award have been satisfied or waived. If the sale of Stock has not been registered under the Securities Act of 1933, as amended, the Company may require, as a condition to exercise of the Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of such Act. The Company may require that certificates evidencing Stock issued under the Plan bear an appropriate legend reflecting any restriction on transfer applicable to such Stock, and the Company may hold the certificates pending lapse of the applicable restrictions.

## **9. AMENDMENT AND TERMINATION**

The Administrator may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by law, and may at any time terminate the Plan as to any future grants of Awards; *provided*, that except as otherwise expressly provided in the Plan the Administrator may not, without the Participant's consent, alter the terms of an Award so as to affect materially and adversely the Participant's rights under the Award, unless the Administrator expressly reserved the right to do so at the time of the Award. Any amendments to the Plan shall be conditioned upon stockholder approval only to the extent, if any, such approval is required by law (including the Code and applicable stock exchange requirements), as determined by the Administrator.

## **10. OTHER COMPENSATION ARRANGEMENTS**

The existence of the Plan or the grant of any Award will not in any way affect the Company's right to award a person bonuses or other compensation in addition to Awards under the Plan.

## 11. MISCELLANEOUS

(a) **Waiver of Jury Trial.** By accepting an Award under the Plan, each Participant waives any right to a trial by jury in any action, proceeding or counterclaim concerning any rights under the Plan and any Award, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection therewith, and agrees that any such action, proceedings or counterclaim shall be tried

**B-6** | Atlas Air Worldwide Holdings, Inc. *2018 Notice & Proxy Statement*

before a court and not before a jury. By accepting an Award under the Plan, each Participant certifies that no officer, representative, or attorney of the Company has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers.

**(b) Limitation of Liability.** Notwithstanding anything to the contrary in the Plan, neither the Company, nor any Affiliate, nor the Administrator, nor any person acting on behalf of the Company, any Affiliate, or the Administrator, shall be liable to any Participant or to the estate or beneficiary of any Participant or to any other holder of an Award by reason of any acceleration of income, or any additional tax, asserted by reason of the failure of an Award to satisfy the requirements of Section 422 or Section 409A or by reason of Section 4999 of the Code; provided, that nothing in this Section 11(b) shall limit the ability of the Administrator or the Company to provide by separate express written agreement with a Participant for a gross-up payment or other payment in connection with any such tax or additional tax.

**(c) Forfeiture.** Awards held by a Participant are subject to forfeiture, termination and rescission, and a Participant will be obligated to return to the Company payments received with respect to Awards, in each case (a) to the extent provided in a Participant's Award, (b) in accordance with any applicable Company clawback or recoupment policy, as such policy may be amended and in effect from time to time, or (c) as otherwise required by law or applicable stock exchange listing standards, including, without limitation, Section 10D of the Securities Exchange Act of 1934, as amended. Each Participant, by accepting an Award pursuant to the Plan, agrees to return the full amount required under this Section 11(c) at such time and in such manner as the Administrator shall determine in its sole discretion and consistent with applicable law. The Company will not be responsible for any adverse tax or other consequences to a Participant that may arise in connection with this Section 11(c).

---

**EXHIBIT B**

**EXHIBIT A**

**Definition of Terms**

The following terms, when used in the Plan, will have the meanings and be subject to the provisions set forth below:

**Administrator** : The Compensation Committee, except that the Compensation Committee may delegate (i) to one or more of its members such of its duties, powers and responsibilities as it may determine; (ii) to one or more officers of the Company the power to grant rights or options to the extent permitted by Section 157(c) of the Delaware General Corporation Law; and (iii) to such Employees or other persons as it determines such ministerial tasks as it deems appropriate. In the event of any delegation described in the preceding sentence, the term Administrator shall include the person or persons so delegated to the extent of such delegation.

**Affiliate** : Any corporation or other entity that stands in a relationship to the Company that would result in the Company and such corporation or other entity being treated as one employer under Section 414(b) and Section 414(c) of the Code.

**Award** : Any or a combination of the following:

- (i) Stock Options.
- (ii) SARs.
- (iii) Restricted Stock.
- (iv) Unrestricted Stock.
- (v) Stock Units, including Restricted Stock Units.
- (vi) Performance Awards.
- (vii) Cash Awards, including Cash Awards that are Performance Awards.
- (viii) Awards (other than Awards described in (i) through (vii) above) that are convertible into or otherwise based on Stock.

**Board** : The board of directors of the Company.

**Cause** : In the case of any Participant who is party to an employment, severance-benefit, change in control or similar agreement with the Company or any of its Affiliates that contains a definition of Cause, the definition set forth in such agreement shall apply with respect to such Participant under the Plan during the term of such agreement. In the case of any other Participant, except as expressly provided otherwise in an Award agreement, Cause shall mean: (i) the Participant's refusal or failure (other than during periods of illness or Disability) to perform the Participant's material duties and responsibilities to the Company or its subsidiaries, (ii) the conviction or plea of guilty or *nolo contendere* of the Participant in respect of any felony, other than a motor vehicle offense, (iii) the commission of any act which

causes material injury to the reputation, business or business relationships of the Company or any of its subsidiaries including, without limitation, any breach of written policies of the Company with respect to trading in securities, (iv) any other act of fraud, including, without limitation, misappropriation, theft or embezzlement, or (v) a violation of any applicable material policy of the Company or any of its subsidiaries, including, without limitation, a violation of the laws against workplace discrimination.

**Cash Award** : An Award denominated in cash.

**Change in Control** : A change in control event (as that term is defined in Section 1.409A-3(i)(5) of the Treasury Regulations) with respect to the Company, which generally will include the consummation of following events, subject to such additional rules and requirements as may be set forth in the Treasury Regulations and related guidance:

(i) a transfer or issuance of stock of the Company, where stock in the Company remains outstanding after the transaction, and one person, or more than one person acting as a group (as determined under the Treasury

Regulations), acquires ownership of stock in the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company (however, if a person or group is considered to own more than 50% of the total fair market value or 30% of the total voting power of the stock of the Company, the acquisition of additional stock by the same person or group will not be considered a change in control for purposes of the Plan;

(ii) the acquisition by a person or group, during the 12-month period ending on the date of the most recent acquisition by such person or group, of ownership of stock possessing 30% or more of the total voting power of the Company (however, if a person or group is considered to control the Company within the meaning of this sentence (i.e., owns stock of the Company possessing 30% of the total voting power of the Company), then the acquisition of additional control will not be considered a change in control for purposes of the Plan;

(iii) the replacement of a majority of members of the Company's Board of Directors during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board of Directors before the appointment or election; or

(iv) the acquisition by a person or group, during the 12-month period ending on the date of the most recent acquisition by such person or group, of assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all the assets of the Company, as determined under the Treasury Regulations (however, a transfer of assets to certain related persons, as provided under the Treasury Regulations, or to an entity that is controlled by the shareholders of the Company immediately after the transfer, will not be considered a change in control for purposes of the Plan).

**Change in Control Termination** : Unless expressly provided otherwise in an Award agreement, the termination of a Participant's Employment following a Change in Control (i) by the Company and its subsidiaries not for Cause, (ii) by the Participant for Good Reason, or (iii) by reason of the Participant's death or Disability.

**Code** : The U.S. Internal Revenue Code of 1986 as from time to time amended and in effect, or any successor statute as from time to time in effect.

**Compensation Committee** : The Compensation Committee of the Board.

**Company** : Atlas Air Worldwide Holdings, Inc.

**Covered Transaction** : Any consummation of (i) a consolidation, merger, or similar transaction or series of related transactions, including a sale or other disposition of stock, in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company's then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert, (ii) a sale or transfer of all or substantially all the Company's assets, or (iii) a dissolution or liquidation of the Company. Where a Covered Transaction involves a tender offer that is reasonably expected to be followed by a merger described in clause (i) (as determined by the Administrator), the Covered Transaction shall be deemed to have occurred upon consummation of the tender offer.

**Disability** : In the case of any Participant who is party to an employment, severance-benefit, change in control or similar agreement with the Company or any of its Affiliates that contains a definition of Disability, the definition set forth in such agreement shall apply with respect to such Participant under the Plan during the term of such agreement. In the case of any other Participant, except as expressly provided otherwise in an Award agreement, Disability shall mean such Participant's having been continuously disabled from performing duties assigned to the Participant for a



period of not less than six consecutive calendar months, in which case such Disability shall be deemed to have commenced on the date following the end of such six consecutive calendar months.

**Effective Date** : The date on which the stockholders of the Company approve the Plan.

**Employee** : Any person who is employed by the Company or an Affiliate.

**EXHIBIT B**

**Employment** : A Participant's employment or other service relationship with the Company and its Affiliates. Employment will be deemed to continue, unless the Administrator expressly provides otherwise, so long as the Participant is employed by, or otherwise is providing services in a capacity described in Section 5 to the Company or its Affiliates. If a Participant's Employment or other service relationship is with an Affiliate and that entity ceases to be an Affiliate, the Participant's Employment will be deemed to have terminated when the entity ceases to be an Affiliate unless the Participant transfers Employment to the Company or its remaining Affiliates. In construing the Plan or any Award relating to the payment of nonqualified deferred compensation (subject to 409A) upon a termination or cessation of Employment, references to termination or cessation of Employment, separation from service, retirement or similar or correlative terms shall be construed to require a separation from service (as defined in Section 1.409A-1(h) of the Treasury Regulations after giving effect to the presumptions contained therein).

**Good Reason** : In the case of any Participant who is party to an employment, severance-benefit, change in control or similar agreement with the Company or any of its Affiliates that contains a definition of Good Reason, the definition set forth in such agreement shall apply with respect to such Participant under the Plan during the term of such agreement. In the case of any other Participant, except as expressly provided otherwise in an Award agreement, Good Reason shall mean: (i) a material reduction in the Participant's duties and responsibilities from those of the Participant's most recent position with the Company, (ii) a reduction of the Participant's aggregate salary, benefits and other compensation (including any incentive opportunity) from that which the Participant was most recently entitled during Employment other than in connection with a reduction as part of a general reduction applicable to all similarly-situated employees of the Company, or (iii) a relocation of the Participant to a position that is located greater than 40 miles from the location of such Participant's most recent principal location of employment with the Company; provided, however, that the Participant will be treated as having resigned for Good Reason only if he or she provides the Company with a notice of termination within 90 days of the initial existence of one of the conditions described above, following which the Company shall have 30 days from the receipt of the notice of termination to cure the event specified in the notice of termination and, if the Company fails to so cure the event, the Participant must terminate his or her Employment not later than 30 days following the end of such cure period.

**ISO** : A Stock Option intended to be an incentive stock option within the meaning of Section 422. Each option granted pursuant to the Plan will be treated as providing by its terms that it is to be a non-incentive stock option unless, as of the date of grant, it is expressly designated as an ISO.

**Participant** : A person who is granted an Award under the Plan.

**Performance Award** : An Award subject to Performance Criteria. The Committee in its discretion may grant Performance Awards that are intended to constitute performance-based compensation. Such Award may be granted at a target level, subject to a future payout of a multiple of target, subject to specified Performance Criteria.

**Performance Criteria** : Specified criteria, other than the mere continuation of Employment or the mere passage of time, the satisfaction of which is a condition for the grant, exercisability, vesting or full enjoyment of an Award. Generally, a Performance Criterion will mean an objectively determinable measure of performance relating to any or any combination of the following (measured either absolutely or by reference to an index or indices and determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, or amortization, whether or not on a continuing operations or an aggregate or per share basis (basic or fully diluted); return on equity, investment, capital or assets; one or more operating ratios such as earnings before interest, taxes, and/or depreciation and amortization; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; free cash flow, cash flow, return on

investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; stock price; stockholder return; sales of particular products or services; customer acquisition or retention; acquisitions and divestitures (in whole or in part); economic value added; strategic business criteria, consisting of one or more objectives based on meeting specific market penetration, geographic business

**B-10** | Atlas Air Worldwide Holdings, Inc. *2018 Notice & Proxy Statement*

expansion goals, facility construction or completion goals, geographic facility relocation or completion goals, cost targets, customer satisfaction, supervision of litigation or information technology; joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings. A Performance Criterion and any targets with respect thereto determined by the Administrator need not be based upon an increase, a positive or improved result or avoidance of loss. The Administrator may provide in the case of any Award that one or more of the Performance Criteria applicable to such Award will be adjusted in an objectively determinable manner to reflect events (for example, but without limitation, acquisitions or dispositions) occurring during the performance period that affect the applicable Performance Criterion or Criteria.

**Plan** : The Atlas Air Worldwide Holdings, Inc. 2018 Incentive Plan as from time to time amended and in effect.

**Prior Plan** : The Atlas Air Worldwide Holdings, Inc. Amended and Restated 2016 Incentive Plan.

**Restricted Stock** : Stock subject to restrictions requiring that it be redelivered or offered for sale to the Company if specified conditions are not satisfied.

**Restricted Stock Unit** : A Stock Unit that is, or as to which the delivery of Stock or cash in lieu of Stock is, subject to the satisfaction of specified performance or other vesting conditions.

**SAR** : A right entitling the holder upon exercise to receive an amount (payable in cash or in shares of Stock of equivalent value) equal to the excess of the fair market value of the shares of Stock subject to the right over the base value from which appreciation under the SAR is to be measured.

**Section 409A** : Section 409A of the Code.

**Section 422** : Section 422 of the Code.

**Stock** : Common Stock of the Company, par value \$0.01 per share.

**Stock Option** : An option entitling the holder to acquire shares of Stock upon payment or satisfaction of the exercise price.

**Stock Unit** : An unfunded and unsecured promise, denominated in shares of Stock, to deliver Stock or cash measured by the value of Stock in the future.

**Unrestricted Stock** : Stock not subject to any restrictions under the terms of the Award.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

**PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**Proposals** The Board of Directors recommends a vote **FOR** all the nominees listed and **FOR** Proposal Nos. 2, 3 and 4.

1. Election of Directors:	<b>For Against Abstain</b>		<b>For Against Abstain</b>		<b>For Against Abstain</b>
01 - Robert F. Agnew		02 - Timothy J. Bernlohr		03 - Charles F. Bolden, Jr.	
04 - William J. Flynn		05 - Bobby J. Griffin		06 - Carol B. Hallett	
07 - Jane H. Lute		08 - Duncan J. McNabb		09 - Sheila A. Stamps	
10 - John K. Wulff					

2. Ratification of the selection of PricewaterhouseCoopers LLP as the Company's registered public accounting firm.	<b>For Against Abstain</b>	3. Advisory vote to approve Named Executive Officer compensation.	<b>For Against Abstain</b>
		4. Approval of our 2018 Incentive Plan.	<b>For Against Abstain</b>

**Non-Voting Items**

**Change of Address** Please print your new address below. **Comments** Please print your comments below.

**Meeting Attendance**  
Mark the box to the right if you plan to attend the Annual Meeting.

**Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**

Please sign exactly as name appears on this Proxy. Joint owners each should sign. When signing as attorney, executor, administrator, trustee or guardian, please give the full title. If signing in the name of a Corporation or partnership, please sign full corporate or partnership name and indicate title of authorized signatory.

Date (mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box.

/ /

**PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**Proxy Atlas Air Worldwide Holdings, Inc.**

**2000 Westchester Avenue, Purchase, New York 10577**

**Proxy for the Annual Meeting of Shareholders May 23, 2018**

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

The undersigned appoints Adam R. Kokas, Spencer Schwartz, and Michael W. Borkowski, and each of them, with full power of substitution in each, as proxies and authorizes them to vote all shares of common stock that the undersigned is entitled to vote at the Annual Meeting of Shareholders of Atlas Air Worldwide Holdings, Inc., to be held at the Belmond Charleston Place Hotel, 205 Meeting Street, Charleston, South Carolina 29401 on Wednesday, May 23, 2018 at 9:00 a.m., local time, and at any adjournment or postponement of the meeting, as indicated below.

Please date, sign and return this proxy promptly. This Proxy, when properly executed and returned, will be voted in the manner directed herein by the undersigned shareholder. If no direction is given, this Proxy will be voted **FOR** the election as directors of all of the nominees listed on the reverse side, **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm, **FOR** the advisory vote to approve Named Executive Officer compensation, and **FOR** the approval of our 2018 Incentive Plan, all as described in the Proxy Statement. The undersigned authorizes the Proxies to vote, in their discretion, upon any other matters as may properly come before the Annual Meeting.

The Board of Directors recommends a vote **FOR** the election as directors of the persons named in Proposal No. 1, **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm as set forth in Proposal No. 2, **FOR** the advisory vote to approve Named Executive Officer compensation as set forth in Proposal No. 3, and **FOR** the approval of our 2018 Incentive Plan as set forth in Proposal No. 4.

**IMPORTANT: TO BE SIGNED AND DATED ON THE REVERSE SIDE**

Certification:

Pursuant to federal law and Atlas Air Worldwide Holdings, Inc.'s certificate of incorporation and by-laws, voting stock is subject to certain foreign ownership restrictions. By signing on the reverse side, you represent that (1) you are a United States citizen as that term is defined by federal aviation law, or (2) the shares of stock represented by this Proxy have been registered on the foreign stock record of the Company, as provided in the by-laws.