

LABORATORY CORP OF AMERICA HOLDINGS
Form DEF 14A
April 04, 2014
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

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Definitive Proxy Statement

Definitive Additional Materials

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LABORATORY CORPORATION OF AMERICA HOLDINGS

(Name of Registrant as Specified In Its Charter)

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

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- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

Laboratory Corporation of America® Holdings

358 South Main Street

Burlington, NC 27215

Telephone: 336-229-1127

April 4, 2014

Dear Shareholder:

I hope you will join us at the 2014 Annual Meeting of Shareholders of Laboratory Corporation of America Holdings. The meeting will be held at The Paramount Theater, 128 East Front Street, Burlington, NC 27215, on Wednesday, May 14, 2014 at 9:00 a.m.

At the Annual Meeting, we will ask you to elect our Board of Directors, approve, on a non-binding advisory basis, executive compensation, and ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2014. We will also review the Company's progress during the past year and discuss any other business matters properly brought before the meeting. The attached Notice of the Annual Meeting and Proxy Statement explains our voting instructions and procedures, describes the business that will be conducted at the Annual Meeting and provides information about the Company that you should consider when you vote your shares.

In reviewing the Proxy Statement you will find detailed information about the qualifications of our director nominees and why we believe they are the right people to represent you beginning on page 18. In addition, as reflected by the Summary of Executive Compensation on page 4 and the Compensation Discussion and Analysis beginning on page 22, you will see that in 2013 we continued our efforts begun in 2012 to improve the design of our executive compensation program.

Management and our Compensation Committee initiated a complete review of our executive compensation program in connection with the shareholder say-on-pay vote at our 2012 Annual Meeting. This review included direct outreach to the Company's major institutional investors (representing the ownership of approximately 79 percent of the Company's outstanding shares) in advance of setting 2013 compensation for the express purpose of better understanding and responding to shareholder concerns related to compensation. Through this engagement with our shareholders, review of emerging best practices, and analysis and review by Cook & Co., the Compensation Committee's independent compensation consultant, the Committee determined to further demonstrate its commitment

to a pay for performance culture, and took the following actions in addition to others:

- changed the mix of 2013 long-term incentive awards to increase the emphasis on performance share awards relative to other forms of long-term incentives, so that performance shares represented 70 percent of the target value of long-term awards versus 40 percent in 2012;

- enhanced the focus on the utilization of relative total shareholder return as a long-term incentive performance measure, so that relative total shareholder return (TSR) reflected 35 percent of the 2013 performance share awards versus 20 percent in 2012 (relative TSR is calculated based upon the S&P Healthcare Index, a broad and objective group of healthcare companies);

- eliminated stock options as a form of long-term incentive for our 2013 long-term incentive awards; and

- froze, at my request, the base salary for the Chief Executive Officer for 2013.

These changes reflect the Compensation Committee's commitment to responding to shareholder feedback, structuring pay for performance, and incentivizing executives to achieve superior financial results and create shareholder value. We hope you recognize the value of our approach to executive compensation and will provide your endorsement when voting.

Your vote is very important to us. Whether or not you plan to attend the meeting in person, it is important that your shares are represented and voted at the meeting. I urge you to promptly vote and submit your proxy via the Internet, by phone, or, if you receive paper copies of the proxy materials by mail, by following the instructions on the proxy card or voting instruction card. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in LabCorp. We look forward to your participation during the 2014 Annual Meeting.

Sincerely,

David P. King

Chairman of the Board, President and

Chief Executive Officer

Notice of 2014 Annual Meeting of Shareholders

Wednesday, May 14, 2014

9:00 a.m., Eastern Daylight Time

The Paramount Theater, 128 East Front Street, Burlington, North Carolina 27215.

ITEMS OF BUSINESS:

1. To elect directors from among the nominees described in the attached Proxy Statement.
2. To approve, on a non-binding advisory basis, executive compensation.
3. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the year ending December 31, 2014.
4. To consider any other business properly brought before the Annual Meeting.

RECORD DATE:

March 17, 2014. Only shareholders of record at the close of business on the record date are entitled to receive notice of, and to vote at, the Annual Meeting.

PROXY VOTING:

Your vote is important. We encourage you to mark, date, sign and return the enclosed proxy/voting instruction card or, if you prefer, to vote by telephone or by using the Internet.

April 4, 2014

By Order of the Board of Directors

F. Samuel Eberts III

Secretary

Important notice regarding the availability of proxy materials for the Annual Meeting of Shareholders to be held on May 14, 2014. Our Proxy Statement and Annual Report to Shareholders are available at www.proxyvote.com.

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Proxy Summary

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting. Page references are supplied to help you find further information in this Proxy Statement.

Annual Meeting of Shareholders

Date and Time: 9:00 a.m. on Wednesday, May 14, 2014, Eastern Daylight Time

Place: The Paramount Theater
128 East Front Street
Burlington, North Carolina 27215

Record Date: March 17, 2014

Voting: Shareholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on.

Voting Matters and Vote Recommendation (page 7)

The following table summarizes the proposals to be considered at the Annual Meeting and the Board's voting recommendation with respect to each proposal.

Proposals	Board Vote Recommendation
Election of Directors	FOR EACH NOMINEE
Advisory vote to approve executive compensation	FOR
Ratification of PricewaterhouseCoopers LLP as independent auditor for 2014	FOR

How to Cast Your Vote (page 8)

You can cast your votes by any of the following methods:

- Internet (www.proxyvote.com) until 11:59 p.m., Eastern Daylight Time on Tuesday, May 13, 2014;
- Telephone (1-800-690-6903) until 11:59 p.m., Eastern Daylight Time on Tuesday, May 13, 2014;
- Completing, signing and returning your proxy card or voting instruction card so that it is received before the polls close on May 14, 2014; or
- In person at the Annual Meeting –If your shares are held in the name of a broker, nominee or other intermediary, you must bring proof of ownership with you to the meeting.

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[Back to Contents](#)**Board Nominees (page 18)**

The following table provides summary information about each director nominee.

Name	Age	Director Since	Occupation	Independent	Other Public Boards
David P. King	57	2007	Chairman, President & CEO, Laboratory Corporation of America Holdings		1
Kerrii B. Anderson	56	2006	Former CEO, Wendy's International, Inc.	X	2
Jean-Luc Bélingard	65	1995	Chairman, bioMérieux, SA	X	2
D. Gary Gilliland	59	2014	Vice Dean & Vice President for Precision Medicine, University of Pennsylvania Perelman School of Medicine	X	0
Garheng Kong	38	2013	Managing Partner, Sofinnova HealthQuest Capital	X	2
Robert E. Mittelstaedt, Jr.	70	1996	Dean Emeritus & Professor, W. P. Carey School of Business at Arizona State University	X	2
Peter M. Neupert	58	2013	Operating Partner, Health Evolution Partners, Inc.	X	0
Adam H. Schechter	49	2013	Executive Vice President, Merck & Co., Inc.	X	0
R. Sanders Williams	65	2007	President, J. David Gladstone Institutes; Professor, University of California San Francisco	X	0

Executive Compensation (page 22)**Pay for Performance (page 26)**

LabCorp's executive compensation program is designed to attract, motivate and retain executives in a highly competitive environment. Our executive compensation philosophy is to pay for performance by rewarding the achievement of specific short-term and long-term operational and strategic goals.

The Company seeks to achieve outstanding performance for our shareholders through a focus on increased revenue, adjusted earnings per share ("EPS"), earnings before interest and taxes ("EBIT"), revenue diversification, and relative total shareholder return compared to the S&P Healthcare Index group of companies. Our compensation program rewards our executives for achieving goals set for these financial measures, and achieving strategic objectives. A substantial majority of the value of the executives' 2013 compensation opportunity, including performance-based cash compensation and performance shares, is subject to Company and/or individual performance, which provides a strong

incentive to drive Company performance and increase shareholder value.

2013 Executive Total Compensation Mix (page 26)

The Compensation Committee takes several factors into consideration when setting executive compensation levels, including:

- competitive data presented by its independent consultant;
- alignment of compensation with growth drivers of the Company's business; and
- feedback from shareholders.

While the Committee sets total target compensation (base salary plus the target amounts under our annual cash incentive and long-term incentive arrangements) to be competitive in relation to the median peer compensation as reflected in data provided by its independent consultant, the Committee places greater emphasis on the variable or at-risk portion of compensation.

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For 2013, our continued focus on pay for performance resulted in approximately 67 percent of Mr. King's 2013 total target compensation being at-risk and performance-based. For the other named executive officers, approximately 55 percent of the average of the 2013 total target compensation was at-risk and performance-based. In 2013, an additional approximately 23 percent of our CEO's total target compensation and approximately 28 percent of the average total target compensation for our other named executive officers was variable based on performance of the Company's stock price. The charts below show the mix of pay elements included in total compensation opportunities for 2013 for our Chief Executive Officer and an average for our other named executive officers.

**CHIEF EXECUTIVE OFFICER MIX OF PAY
ELEMENTS
BASED ON TARGET AWARD OPPORTUNITIES**

**OTHER NAMED EXECUTIVE OFFICERS MIX OF
PAY
ELEMENTS BASED ON TARGET AWARD
OPPORTUNITIES**

Advisory Vote to Approve Executive Compensation (page 48)

We ask that our shareholders approve the advisory resolution to approve executive compensation. In addition to the pay for performance philosophy discussed above, the redesign of our executive compensation in 2012 and the further steps taken in 2013 in response to shareholder feedback, our executive compensation program contains the following features that further align the interests of our executives with those of our shareholders:

- stock ownership guidelines requiring our executive officers to own a significant amount of our stock;
- prohibition on pledging and hedging with respect to Company stock, including the use of "short sales," "puts," "calls" and similar instruments designed to offset the risk of a decline in the value of the Company's stock;
- our annual incentive cash payment plan does not provide payment without achievement of performance goals, regardless of whether the failure to achieve the performance goals was outside of management's control;
- the goals in the plan encompass strategic as well as objective financial goals and are tailored to each executive's scope of responsibility;
- there is a cap on the annual incentive cash payment opportunity even for extraordinary performance so that executives are not provided incentives to take inappropriate risks;
- no employment agreements with the Company's executive officers, meaning there are no "guaranteed" levels of base salary, incentive cash payment or other forms of compensation;
- limited perquisites, which were largely eliminated in 2011 with no tax gross-ups;
- in circumstances involving a change in control, the Master Senior Executive Severance Plan is a "double trigger" plan, requiring termination following a change in control for severance payments to become due;

- the use of a mix of long-term incentive types, including restricted stock units and performance shares, to focus our executives on long-term performance of the Company;
- a significant portion of long-term incentives (70 percent) are earned only if three-year objective performance goals are met; and
- a clawback provision under the 2012 Omnibus Incentive Plan that requires repayment of awards in the event of an accounting restatement involving certain forms of misconduct.

Auditors (page 50)

We ask that our shareholders ratify the selection of PricewaterhouseCoopers, LLP as our independent auditor for the year ending December 31, 2014. Below is summary information about PricewaterhouseCoopers' fees for services provided in fiscal years 2013 and 2012.

Year Ended December 31	2013	2012
Audit Fees	\$1,430,500	\$1,422,700
Audit Related Fees	\$49,750	\$67,500
Tax Fees	\$21,954	\$140,000
All Other Fees	\$1,800	\$1,800
TOTAL	\$1,504,004	\$1,632,000

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Proxy Statement

LabCorp is providing you with these proxy materials in connection with its 2014 Annual Meeting of Shareholders (the “Annual Meeting”). The Notice of Internet Availability of Proxy Materials (the “Notice”), this Proxy Statement and LabCorp’s 2013 annual report on Form 10-K (the “2013 Annual Report”) were first mailed to shareholders of record on or about April 4, 2014. As used in this Proxy Statement, “LabCorp,” the “Company” and “we” may refer to Laboratory Corporation of America Holdings itself, one or more of its subsidiaries, or Laboratory Corporation of America Holdings and its consolidated subsidiaries, as applicable.

GENERAL INFORMATION

2014 Annual Meeting of Shareholders

LabCorp’s 2014 Annual Meeting of Shareholders is scheduled to occur on Wednesday, May 14, 2014 at 9:00 a.m., Eastern Daylight Time. The Annual Meeting will be held at The Paramount Theater, 128 East Front Street, Burlington, North Carolina 27215. All owners of LabCorp’s common stock, par value \$0.10 per share (the “Common Stock”), on March 17, 2014, the record date (the “Record Date”), are eligible to receive notice of, and to vote at, the Annual Meeting. Representatives of PricewaterhouseCoopers LLP, Independent auditor for LabCorp for the years ending December 31, 2012 and December 31, 2013, will be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on May 14, 2014

Pursuant to the “notice and access” rules adopted by the Securities and Exchange Commission (the “SEC”), LabCorp has elected to provide access to its proxy materials and the 2013 Annual Report over the Internet and sent the Notice to shareholders of record as of the Record Date on or about March 17, 2014. The Notice is not a form for voting and presents only an overview of the more complete proxy materials, which contain important information about the Annual Meeting. All shareholders may access the proxy materials on the website referred to in the Notice (www.proxyvote.com) and we encourage shareholders to do so prior to submitting their votes. Shareholders may request to receive a printed set of the proxy materials by following the instructions provided in the Notice.

Shareholders may also request to receive future proxy materials in printed form by mail or electronically by e-mail on an ongoing basis by following the instructions on your proxy card or at www.proxyvote.com. Choosing to receive proxy materials by e-mail will save LabCorp the cost of printing and mailing documents and will reduce the impact of LabCorp’s annual meetings on the environment. If you choose to receive future proxy materials by e-mail, you will

receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

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Matters Subject to a Vote of the Shareholders

Current Proposals

The following matters are subject to a vote of the shareholders at the Annual Meeting:

- Election of directors from among the nominees described in the Proxy Statement (see page 18);
- Approval, on a non-binding advisory basis, of compensation for LabCorp's executives (see page 48); and
- Ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the year ending December 31, 2014 (see page 50).

Board Recommendations

The Board of Directors of the Company (the "Board") recommends that shareholders vote as follows:

- "FOR" the election of each of the nominees for director;
- "FOR" approval, on a non-binding basis, of the compensation for LabCorp's executives; and
- "FOR" the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2014.

Other Business

The Board does not intend to bring any other business before the Annual Meeting and is not aware of any other matters to be brought before the meeting. See the section "Other Matters" on page 53 for information about presenting proposals for the 2015 Annual Meeting. Please also see the section "Identification and Evaluation of Director Candidates" on page 10 for information about shareholder nominations to the Board.

Voting Procedures and Solicitation of Proxies

Quorum and Voting Requirements

The Board is soliciting your vote at the Annual Meeting or at any later meeting should the scheduled annual meeting be adjourned or postponed for any reason. By using a proxy, which authorizes specific people to vote on your behalf, your shares can be voted whether or not you attend the Annual Meeting. At least a majority of the total number of shares of Common Stock outstanding on the Record Date must be present in person or by proxy at the Annual Meeting for a quorum to be established. At the close of business on the Record Date, there were 85,017,972 shares of Common Stock issued and outstanding.

Each share of Common Stock is entitled to one vote on each of the director nominees and one vote on each other matter that is properly presented at the Annual Meeting. In accordance with LabCorp's Amended and Restated By-Laws (the "By-Laws"), director nominees must receive a majority of the votes cast to be elected, which under the By-Laws means that the number of shares voted "FOR" a director must exceed 50 percent of the votes cast with respect to that director. The Board has adopted a policy that a director who does not receive the required vote for election as provided in the By-Laws will submit his or her resignation for consideration by the Board. The affirmative vote of a majority of shares of Common Stock represented at the Annual Meeting and entitled to vote is required for approval of the other proposals noted above. Abstentions will have no effect on the election of the directors, but will have the same effect as a vote against the other proposals scheduled for the Annual Meeting.

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Voting by Record Holders

If your name is registered in LabCorp's shareholder records as the owner of shares, there are four ways that you can vote your shares:

Over the Internet. Vote at www.proxyvote.com. The Internet voting system is available 24 hours a day until 11:59 p.m. Eastern Daylight Time on Tuesday, May 13, 2014. Once you enter the Internet voting system, you can record, confirm and change your voting instructions.

By telephone. Call 1-800-690-6903. The telephone voting system is available 24 hours a day in the United States until 11:59 p.m. Eastern Daylight Time on Tuesday, May 13, 2014. Once you enter the telephone voting system, a series of prompts will tell you how to record, confirm and change your voting instructions.

By mail. Mark your voting instructions on the proxy card (if you requested or received one), sign and date it, and return it in the prepaid envelope provided. For your mailed proxy card to be counted, it must be received before the polls close at the Annual Meeting on Wednesday, May 14, 2014.

In person. Attend the Annual Meeting, or send a personal representative with an appropriate proxy, in order to vote.

You may change your vote or revoke a proxy at any time prior to the Annual Meeting by:

- Entering new instructions on either the telephone or Internet voting system before 11:59 p.m. Eastern Daylight Time on Tuesday, May 13, 2014.

- Sending a new proxy card with a later date than the previously submitted proxy card. The new proxy card must be received before the polls close at the Annual Meeting on Wednesday, May 14, 2014.

Writing to LabCorp at 358 South Main Street, Burlington, North Carolina 27215, Attention: F. Samuel Eberts III, Secretary. Your letter should contain the name in which your shares are registered, the date of the proxy you wish to revoke or change, your new voting instructions, if applicable, and your signature. Your letter must be received before the Annual Meeting begins on Wednesday, May 14, 2014.

- Attending the Annual Meeting and voting in person or sending a personal representative with an appropriate proxy.

All proxies duly executed and received by LabCorp will be voted in accordance with the instructions provided by the person executing the proxy or, in the absence of any instruction, will be voted in accordance with the Board's recommendations on each proposal. Proxies will have the discretion to vote for or against any other matters that come before the Annual Meeting which are not otherwise specified in the Notice.

Voting by Holders in Street Name

If you hold shares through a bank, broker or other custodian (referred to as shares held “in street name”), the custodian will provide you with a copy of the Proxy Statement and a voting instruction form. Brokers and other holders of record have discretionary authority to vote shares without instructions from beneficial owners only on matters considered “routine” by the New York Stock Exchange, such as the advisory vote on the selection of the independent auditors. On non-routine matters, such as the election of directors, these banks, brokers and other holders of record do not have discretion to vote uninstructed shares and thus are not “entitled to vote” on such proposals, resulting in a broker non-vote for those shares. We encourage you to provide voting instructions so that your shares can be counted in the election of directors and the other matters to be considered at the Annual Meeting.

Proxy Expenses

LabCorp will bear the expenses to prepare proxy materials and to solicit proxies for the Annual Meeting. LabCorp expects to reimburse banks, brokers, and other persons for their reasonable, out-of-pocket expenses in handling proxy materials for beneficial owners. LabCorp has also retained Morrow and Co., LLC for solicitation of holders of record as well as non-objecting beneficial owners. LabCorp paid Morrow and Co., LLC a fee of approximately \$9,000 for these services, plus reimbursement of expenses.

Results of the Annual Meeting

The voting results of the Annual Meeting will be published no later than four business days after the Annual Meeting on a Form 8-K filed with the SEC.

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CORPORATE GOVERNANCE

Board Structure and Independence

We have a strong governance structure to ensure Board oversight and accountability to our shareholders, including:

- a strong Lead Independent Director role;
- 100 percent committee independence;
- annual elections of all directors;
- majority voting for election of directors;
- Board and committee action by unanimous written consent; and
- no shareholder rights or “poison pill” plans.

Both management and the Board participate in an active engagement program with our shareholders. In addition to our ongoing engagement with shareholders regarding operational results and business strategy, we have specially engaged with over 79 percent of our shareholders on matters related to compensation, long-term incentives, board structure and corporate governance and other matters. The purpose of the Board’s engagement program is to review compensation and corporate governance practices with shareholders, seek shareholder input on our approach to these subjects and incorporate shareholder feedback into the design of our compensation and governance programs. The results of all shareholder engagement are periodically reviewed with the entire Board.

Board Composition

LabCorp’s By-Laws provide for a Board of no fewer than one and no more than fifteen directors. There are currently twelve members of the Board; however, there are only nine nominees standing for election at the Annual Meeting. Arthur H. Rubenstein and M. Keith Weikel have reached the mandatory retirement age pursuant to our corporate governance guidelines and are retiring from the Board upon conclusion of their terms ending on May 14, 2014. After 17 years of distinguished service to the Company, Wendy E. Lane has decided not to stand for re-election to the Board of Directors. She has decided to pursue other professional interests, including other board opportunities. For more details about the nominees for directors and their biographies, please see “Proposal One: Election of Directors.” (page 18)

We have a long-standing commitment to good corporate governance practices. These practices provide an important framework within which our Board of Directors and management pursue the strategic objectives of LabCorp and ensure the Company's long-term vitality for the benefit of our shareholders. The cornerstone of our practices is an independent and qualified board of directors. All directors are elected annually by a majority of votes cast by shareholders. All Board committees are composed entirely of independent directors.

The Board carefully evaluates each incoming director candidate based on selection criteria and overall priorities for the board composition that are periodically reviewed by the Nominating and Corporate Governance Committee with input from the rest of the directors. As our directors' commitments change, the Board revisits their situations to ensure that they can continue to serve the best interests of the Company and our shareholders. We also focus on Board renewal to ensure a mix of longer tenured directors and fresh perspective in the boardroom.

We also demand high standards of ethics from our directors and management as described in our Corporate Governance Guidelines and Code of Business Conduct and Ethics. Our governance principles are available under the Corporate Governance tab of the Investor Relations page of our website at www.labcorp.com. We have included some highlights from these principles and a summary of key policies below.

Board Independence

The Board believes that a substantial majority of its members should be independent, non-employee directors. The Board has established guidelines for determining director independence that are consistent with the current listing standards of the New York Stock Exchange (the "Listing Standards"). In addition, director affiliations and transactions are regularly reviewed to ensure that there are no conflicts or relationships that might impair a director's independence from the Company, senior management and our independent registered accounting firm as defined in the Listing Standards. Other than Mr. King, all of our current Board members and all of the nominees for director qualify as "independent" as defined in the Listing Standards.

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Board Leadership

The Chairman of the Board leads the Board and oversees board meetings and the delivery of information necessary for the Board's informed decision making. The Chairman also serves as the principal liaison between the Board and our management. The Board determines whether the role of Chairman and the Chief Executive Officer should be separated or combined based on its judgment as to the structure that best serves the interests of the Company. Currently, the Board believes that the positions of Chairman and Chief Executive Officer should be held by the same person as this combination has served and is serving the Company well by providing unified leadership and direction.

The Board has also established the position of Lead Independent Director to be filled at the Board's discretion when the Chief Executive Officer also serves as Chairman or the Chairman otherwise is not an independent director. The Board believes that appointing a Lead Independent Director provides an efficient and effective leadership model for the Company by fostering clear accountability, effective decision-making, alignment on corporate strategy between the Board and management and a cohesive public face for the leadership of the Company. Mr. Mittelstaedt currently serves as our Lead Independent Director. The Lead Independent Director, among other tasks assigned in the Company's Corporate Governance Guidelines, presides at executive sessions of the Board, serves as a liaison between the Chairman and the other directors, and advises the Chairman with respect to the schedule, agenda and information for Board meetings. Mr. Mittelstaedt meets regularly with Mr. King to review operations and strategic issues discussed with the Board and other matters relating to the Board's oversight functions. We are also focused on Board renewal to ensure a mix of longer tenured directors and fresh perspective in the boardroom. The Board holds executive sessions without Company management and non-independent director participation. These sessions are generally held at each regularly scheduled meeting of the Board and at each special meeting upon the request of a majority of the independent directors attending the special meeting. The Company's Corporate Governance Guidelines provide that the independent Directors shall meet on a periodic basis, but no fewer than four times a year on the same day as the regularly scheduled Board meetings. In 2013, Mr. Mittelstaedt in his capacity as the Lead Independent Director chaired ten meetings of the independent and non-employee directors to discuss strategy, compensation, succession planning and other matters.

Annual Board Self-Assessment

The Board conducts a self-assessment of its performance and effectiveness on an annual basis. The purpose of the self-assessment is to provide candid feedback on Board effectiveness and track progress in key areas of Board performance. As part of the assessment, each director completes a questionnaire developed by the Nominating and Corporate Governance Committee. The collective ratings and comments of the directors from the questionnaires are compiled and presented by the Chair of the Nominating and Corporate Governance Committee to the full Board for review and discussion. In addition, each Board Committee conducts a similar self-assessment of its performance focused on the Committee's key responsibilities. Feedback from the Committees' self-assessments is reviewed in the applicable Committee and also presented to the full Board for review and discussion.

Identification and Evaluation of Director Candidates

Identification of Director Candidates

The Nominating and Corporate Governance Committee recommends a slate of directors to the Board for election by the Company's shareholders at each annual meeting of shareholders and recommends candidates to the Board to fill any vacancies. Each member of the Board identifies potential candidates and these candidates are regularly reviewed by the committee, which maintains an active list of potential Board candidates. In addition, the committee is authorized to engage professional search firms at the Company's expense. The Company retained Korn/Ferry International in 2013 to assist with identifying potential nominees to the Board. In 2013 Korn/Ferry International also assisted in the evaluation of Board candidates, including by performing appropriate due diligence on such candidates. The Nominating and Corporate Governance Committee believes it is important to maintain a Board with diverse experiences and expertise, including industry and scientific and medical experience, financial expertise, global business experience and executive leadership.

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Shareholders may also nominate individuals to the Board. A shareholder may submit a nomination for consideration at the 2015 Annual Meeting of Shareholders by providing certain information as set forth in the By-Laws, in writing, to the Corporate Secretary of the Company at 358 South Main Street, Burlington, NC 27215. Nominations for the 2015 Annual Meeting must be received no earlier than January 14, 2015 and no later than March 15, 2015. The By-Laws may be obtained free of charge by writing to the Company's Corporate Secretary and were included as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on March 31, 2008.

Drs. Rubenstein and Weikel retired from the Board this year, pursuant to the Company's mandatory retirement policy for Board members. Our policy states that when a director reaches the age of 75 he or she shall not be eligible to stand for re-election at the next regularly scheduled annual shareholder meeting. After 17 years of distinguished service to the Company, Ms. Lane decided not to stand for re-election to the Board of Directors to pursue other professional interests, including opportunities to serve on other boards of directors. We are deeply grateful to Ms. Lane and Drs. Rubenstein and Weikel for their contributions to the Company.

As part of the Company's continued process of Board renewal and succession planning, Dr. Kong (page 19) was appointed to the Board on December 1, 2013 and Dr. Gilliland (page 19) was appointed to the Board on April 1, 2014. Dr. Kong was recommended by Mr. King who had collaborated with Dr. Kong with Cancer Guide, the Duke University Medical Center Board of Visitors and Sofinnova HealthQuest Capital. Dr. Gilliland was recommended by Mr. Schechter, Dr. Rubenstein and Dr. Williams. The Committee considered and interviewed several candidates for these Board positions. They selected Drs. Kong and Gilliland because of their experience and background in the health care industry.

Evaluation of Director Candidates

When evaluating prospective candidates for director, including those nominated by shareholders, the Nominating and Corporate Governance Committee conducts individual evaluations of the candidates, taking into account the criteria enumerated in the Company's Corporate Governance Guidelines (see description below). Among other things, the Committee considers whether prospective candidates have:

- personal and professional integrity;
- skills and experience to advise the Company regarding its medical, scientific, operational, strategic and governance goals;
- interest, capacity and willingness to serve the long-term interests of the Company's shareholders;
-

ability and willingness to devote the required amount of time to the Company's affairs, including attendance at Board and Committee meetings;

- exceptional ability and judgment; and

- freedom from personal and professional relationships that would adversely affect the ability to serve the best interests of the Company and its shareholders.

The Corporate Governance Guidelines provide that the Nominating and Corporate Governance Committee review with the Board the appropriate skills and characteristics required of Board members in the context of the Company's business needs and the current composition of the Board, including, among other characteristics, diversity. The Company believes that Board membership should reflect diversity in its broadest sense, including persons diverse in geography, gender and ethnicity. The Board seeks independent directors who represent a mix of backgrounds and experiences that will enhance the quality of the Board's deliberations and decisions, including experience with publicly traded national, international or multinational companies, executive or financial management experience and/or achievement with distinction in their chosen fields. The Board believes that its composition reflects

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