

DARLING INGREDIENTS INC.  
Form DEF 14A  
March 31, 2016  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**SCHEDULE 14A INFORMATION**  
**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

Filed by Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14A-6(E)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

**DARLING INGREDIENTS INC.**

**(Name of Registrant as specified in its charter)**

**NOT APPLICABLE**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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

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March 31, 2016

Dear Fellow Stockholders:

I hope you will join us at the 2016 Annual Meeting of Stockholders of Darling Ingredients Inc. The attached Notice of Annual Meeting of Stockholders and Proxy Statement will serve as your guide to the business to be conducted.

As you review the Proxy Statement you will note that we have redesigned the Proxy Statement in order to make it more effective in guiding you through the matters that you will be voting on at the meeting. In addition, our Compensation Discussion and Analysis section has been revamped to include new charts and disclosures that we believe more clearly support our performance-based compensation programs and better explain the linkage between our performance and pay.

In stewarding this Company, our Board seeks to achieve long-term, sustainable performance and create value through the right business strategies, prudent risk management, effective compensation programs and a well-functioning management team. Fiscal 2015 presented a challenging operating environment, as our businesses continued to experience the impacts of a prolonged deflationary commodity cycle within the agriculture and energy sectors. Despite these challenging conditions, we continued to execute on our strategy to achieve operational and financial improvements aimed at offsetting the impacts of lower pricing and grow profitability in businesses and geographic areas where sustainable and predictable margins can be achieved.

Over the last few years, we have spent a significant amount of time talking to stockholders about executive compensation. At our 2015 Annual Meeting, following four years of positive voting results, for the first time stockholders did not provide majority support for our executive compensation program. In reaction, our compensation committee conducted an even more in-depth analysis of our compensation and governance practices, including an enhanced stockholder outreach process and a thorough review of all aspects of our compensation strategies and program. This analysis resulted in significant changes to our compensation programs. These changes further enhance the link between pay and performance and continue to align our executive compensation program with stockholders long-term interests. We encourage you to read the Compensation Discussion and Analysis section of the Proxy Statement beginning on page 20 for details of our executive compensation program and these recent enhancements.

In December 2015, long-time Board member O. Thomas Albrecht passed away. The Board would like to acknowledge Mr. Albrecht's many contributions to the Company over the 13 years during which he served on the Board. We also want to thank John D. March, one of our experienced and effective directors who is retiring from the Board after eight years of service. His advice and guidance over his eight years of service on the Board has been very beneficial to the Company and its stockholders. The Board is recommending two new nominees, Cynthia Pharr Lee and Gary W. Mize, for election to the Board at the meeting. As further described in the Proxy Statement, both Ms. Pharr Lee and Mr. Mize possess skills and experience that complement and enhance those of our existing Board members.

Thank you for your continued trust and for your investment in our business.

**Randall C. Stuewe**  
Chairman and CEO

**Charles Macaluso**  
Lead Director

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251 O Connor Ridge Boulevard, Suite 300

Irving, Texas 75038

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MAY 10, 2016**

To the Stockholders of Darling Ingredients Inc.:

An Annual Meeting of Stockholders of Darling Ingredients Inc. (the Company) will be held on Tuesday, May 10, 2016, at 10:00 a.m., local time, at the Four Seasons Resort and Club, 4150 N. MacArthur Blvd., Irving, Texas 75038, for the following purposes (which are more fully described in the accompanying Proxy Statement):

1. To elect as directors of the Company the nine nominees named in the accompanying proxy statement to serve until the next annual meeting of stockholders (Proposal 1);
2. To ratify the selection of KPMG LLP, independent registered public accounting firm, as the Company's independent registered public accountant for the fiscal year ending December 31, 2016 (Proposal 2);
3. To vote to approve, on an advisory basis, executive compensation (Proposal 3); and
4. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof in accordance with the provisions of the Company's bylaws.

**The Board of Directors recommends that you vote to approve Proposals 1, 2 and 3.**

The Board has fixed the close of business on March 16, 2016, as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

This year we will again seek to conserve natural resources and reduce annual meeting costs by electronically disseminating annual meeting materials as permitted under rules of the Securities and Exchange Commission. Many stockholders will receive a Notice of Internet Availability of Proxy Materials containing instructions on how to access annual meeting materials via the Internet. Stockholders can also request mailed paper copies if preferred.

**Your vote is important. You are cordially invited to attend the Annual Meeting. However, whether or not you expect to attend the Annual Meeting, please vote your proxy promptly so your shares are represented. You can vote by Internet, by telephone or by signing, dating and mailing the enclosed proxy.**

A copy of our Annual Report for the year ended January 2, 2016 is enclosed or otherwise made available for your convenience.

By Order of the Board,

**John F. Sterling**

Secretary

Irving, Texas

March 31, 2016

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**PROXY SUMMARY**

**This summary highlights selected information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider in deciding how to vote. You should read the Proxy Statement carefully before voting. This Proxy Statement and the enclosed proxy is first being sent or made available to stockholders on or about March 31, 2016.**

**2016 ANNUAL MEETING OF STOCKHOLDERS**

**Time and Date:**

10:00 a.m., local time, Tuesday, May 10, 2016

**Place:**

Four Seasons Resort and Club,  
4150 N. MacArthur Blvd., Irving, Texas 75038

**Record Date:** March 16, 2016

**VOTING INFORMATION**

**Who is Eligible to Vote**

You are entitled to vote at the 2016 Annual Meeting of Stockholders if you were a stockholder of record as of the Record Date. On the Record Date, there were 164,567,041 shares of our company's common stock outstanding and eligible to vote at the Annual Meeting. Each share of common stock is entitled to one vote on each matter properly brought before the Annual Meeting.

**How to Vote**

To make sure that your shares are represented at the Annual Meeting, please cast your vote as soon as possible by one of the following methods:

**INTERNET**  
Visit the applicable  
voting website:

**TELEPHONE**  
Within the United  
States,  
U.S. Territories and

**MAIL**  
Complete, sign and mail  
your proxy card in the

**IN PERSON**  
For instructions  
on attending the 2016

www.investorvote.com/DAR Canada, call toll-free: self-addressed envelope Annual Meeting in  
 1-800-652-VOTE provided. person, please see the  
 (8683) section beginning

on page 67

## HOW YOU CAN ACCESS THE PROXY MATERIALS ONLINE

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 10, 2016.**

The Proxy Statement and the 2015 Annual Report to security holders are available at [www.proxydocs.com/DAR](http://www.proxydocs.com/DAR).

## MEETING AGENDA AND VOTING RECOMMENDATIONS

PROPOSAL	BOARD RECOMMENDATION	PAGE
1. The election of the nine nominees identified in this Proxy Statement as directors, each for a term of one year ( Proposal 1 )	<b>FOR</b>	12
2. The ratification of the selection of KPMG LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016 ( Proposal 2 )	<b>FOR</b>	65
3. An advisory vote to approve executive compensation ( Proposal 3 )	<b>FOR</b>	66

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**PROXY SUMMARY**

**BOARD HIGHLIGHTS**

All of our current directors have been nominated again by the Board for reelection at the Annual Meeting, except for John D. March who will retire as a director immediately following the Annual Meeting and will therefore not stand for re-election in 2016. The Board thanks Mr. March for his contributions and dedication to our company over his eight years of service as a Board member. In addition, our nominating and corporate governance committee has identified, and our Board has approved, two new director nominees, Cynthia Pharr Lee and Gary W. Mize, for election to our Board at the Annual Meeting. Both Ms. Pharr Lee and Mr. Mize possess skills and experience that complement and enhance those of our existing Board members. For more information on all of the director nominees, see page 12 of this Proxy Statement.

**COMPANY HIGHLIGHTS**

Our company is a global developer and producer of sustainable natural ingredients from edible and inedible bio-nutrients, creating a wide range of ingredients and customized specialty solutions for customers in the pharmaceutical, food, pet food, feed, technical, fuel, bioenergy, and fertilizer industries. Our long-term strategy is to be recognized as the global leader in the production, development and value-adding of sustainable animal and nutrient recovered ingredients. In the last several years, we have used key acquisitions and a joint venture project to transform our platform and build future value through segment and product diversification and global expansion.

**2015 PERFORMANCE HIGHLIGHTS**

Fiscal 2015 presented a challenging operating environment, as our business continued to experience the impacts of a deflationary cycle within the agriculture sector and continued pricing pressure from increased global supplies of grains and oilseeds. Despite these challenging operating conditions, we continued to execute on our strategy and to achieve operational and financial improvements intended to stabilize and grow profitability in businesses and geographic areas where sustainable and predictable margins can be achieved, as exemplified by the following:

**Key Operating Accomplishments**

- <sup>n</sup> Reduced selling, general and administrative (SG&A) expenses year-over-year by \$52.0 million, including through headcount management.
- <sup>n</sup> Improved working capital (inventory, receivables, prepaids, accounts payable and accrued expenses) by \$31.3 million year-over-year, against a target of \$20 million.
- <sup>n</sup> Managed capex outflows to business conditions, including a \$43.0 million reduction in spending from 2015 operating plan amount.
- <sup>n</sup> Generated free cash flow of \$191.0 million and paid down debt by a total of \$118.2 million in 2015, against a target of \$100 million.

- <sup>n</sup> Increased production at our Diamond Green Diesel joint venture while maintaining strong margins.
- <sup>n</sup> Diminished the impact of declining finished product prices on margins by appropriately adjusting raw material pricing globally.
- <sup>n</sup> Increased raw material volumes in our Feed segment by 4.8% year-over-year, thereby increasing the amount of our finished product for sale.
- <sup>n</sup> Exceeded global safety goals with year-over-year improvement, including for lost time accidents and fleet accidents.

**Growth Achievements**

- <sup>n</sup> Expanded our premium wet pet food business through construction and commissioning of two new production facilities in Ravenna, Nebraska and Paducah, Kentucky to produce wet pet food, a premium, value added product that is sold to pet food manufacturers and generally commands premium prices.
- <sup>n</sup> Completed construction and commissioning of new Bakery Feed facility in Bryan, Texas.
- <sup>n</sup> Completed major expansion/upgrade of gelatin processing facility in Dubuque, Iowa.
- <sup>n</sup> Continued construction of two new U.S. rendering facilities, on schedule and on budget, to be completed and commissioned in the third and fourth quarter of 2016.

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**PROXY SUMMARY**

**Realigned Capital Structure for Operating Conditions and Future Growth**

- <sup>n</sup> Successfully amended the company's senior secured credit facility to provide more flexibility going forward.
- <sup>n</sup> Successfully completed the refinancing of a portion of our senior secured debt through the sale of \$15 million in aggregate principal amount of 4.75% unsecured notes.
- <sup>n</sup> Repurchased \$5.9 million of the company's common stock pursuant to stock repurchase program announced in August 2015.

**EXECUTIVE COMPENSATION HIGHLIGHTS**

**General.** Our compensation committee has designed our executive compensation program to deliver pay in alignment with corporate, business unit and individual performance. A large portion of total target compensation is at-risk through long-term equity awards and annual cash incentive awards. These awards are linked to actual performance and include a significant portion of equity.

**Pay for Performance.** Our compensation committee has designed our executive compensation program to deliver pay in alignment with corporate, business unit and individual performance primarily based on the following two factors, which in turn are expected to align executive pay with returns to stockholders over time:

- <sup>n</sup> Our effectiveness in deploying capital when compared to our Performance Peer Group; and

- <sup>n</sup> Whether we are expanding as a company, as our scale creates the platform for future growth and influences the stability of our company's earnings.

Pricing of our finished products is heavily influenced by global grain and oilseed supplies, livestock production trends, crude oil pricing and foreign currency. While we have diversified our business significantly during the last few years, the recent deflationary cycle within the global commodity markets has had a significant impact on the price of our common stock. While we remain a growth-oriented company focused on creating long-term value for its stockholders, our stock price is impacted by commodity price swings. As such, we believe that the current best indicator of our long-term performance versus our Performance Peer Group is a comparison of how competitively we deploy capital versus our Performance Peer Group as measured by a return on capital standard. The other primary factor in aligning our pay and performance is whether or not we have remained a growth-oriented company during the relevant performance period. To measure growth, we look at our earnings before interest, taxes, depreciation and amortization ( EBITDA ), which is also the numerator for return on capital.

Performance against pre-established EBITDA goals is a key element of our 2015 annual incentive plan. In the last several years, we have used key acquisitions and a joint venture project to transform our platform and build future value through segment and product diversification and global expansion. Consistent EBITDA growth will result in greater annual incentive plan payouts, while shortfalls in EBITDA will result in below target payouts. As

demonstrated by the chart appearing on page 23 of this Proxy Statement, our CEO's total realizable compensation is well-aligned with our EBITDA performance.

We have used a return on capital standard as the performance measure under our long-term incentive ( LTI ) program since 2010. In 2015, we used return on gross investment ( ROGI ) as the return on capital performance measure for our LTI program, and we achieved performance for fiscal 2015 in the 66th percentile relative to our Performance Peer Group. For 2016, as part of the significant changes made to our compensation program, we have switched to return on capital employed ( ROCE ) as the performance metric for our LTI program. Our compensation committee believes, given the substantial growth of our company over the last ten years, that ROCE more appropriately measures our ongoing operating performance against peers by excluding goodwill from the calculation and thereby better focusing on the value of a particular asset and the working capital needed to run that asset. Our return on capital targets are set to reflect the median historical performance levels for our Performance Peer Group, which is a challenging performance standard in the current deflationary cycle within the global commodity markets. Given the shift from ROGI to ROCE as the return on capital measure and the addition of a relative total shareholder return ( TSR ) modifier for 2016, the following chart shows that by

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aligning our executive compensation with EBITDA and capital deployment performance, the realizable pay levels provided by our executive compensation program to our CEO are aligned to our stock price performance over the long-term:

<b>INDEX YEAR</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>2010</b>						
<b>CEO Pay Measure:</b>						
<b>Realizable Pay 1-Year</b>		\$ 5,334	\$ 5,966	\$ 5,504	\$ 8,463	\$ 3,609
<i>% Change</i>			12%	-8%	54%	-57%
<b>Realizable Pay 1-Year (excl. Special)</b>		\$ 5,334	\$ 5,966	\$ 5,504	\$ 6,647	\$ 3,609
<i>% Change</i>			12%	-8%	21%	-46%
<b>TSR Index Measure:</b>						
<b>1-Year TSR Indexed to 2010=100</b>	100.0	100.1	117.0	156.4	136.7	79.2
<b>1-Year TSR %</b>		0.1%	16.9%	33.7%	-12.6%	-42.1%

NOTES:

Total Shareholder Return (TSR) performance is indexed to 2010, where 2010 equals 100 on the Index.

Realizable pay reflects the actual cash and intrinsic value of equity incentives awarded in a given year, using the stock price at the end of the year. For example for 2015, realizable pay equals base salary plus annual incentives earned for 2015 performance plus shares and options granted on March 7, 2016 based on performance ending in 2015 (actual results for 2013 to 2015 ROGI) plus the reported Summary Compensation Table values for Change in Pension Value and Non-Qualified Deferred Compensation Earnings and All Other Compensation.

In 2014, the figures above also show the potential realizable value based on the December 31, 2014 stock price of a special award of performance share units awarded at the closing of the acquisition of VION Ingredients. The one-third of the award relating to 2014 performance was earned and vested, the one-third of the award relating to 2015 performance was not earned and was forfeited and the remaining one-third of the award may be earned based on 2016 performance results. The compensation committee does not consider this special award to be part of the ongoing compensation program.

Our compensation committee believes that our executive compensation program effectively aligns pay with performance based on the key factors discussed above, thereby aligning executive pay with returns to stockholders, creating a growth oriented, long-term value proposition for our stockholders. For more information see Compensation Discussion and Analysis Executive Overview Pay for Performance included in the Proxy Statement.



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***Fiscal 2015 Compensation Program Enhancements.*** Our company has undergone a major transformation in its business over the last several years, especially with the completion in January 2014 of the acquisition of the VION Ingredients business from VION Holding, N.V. that now operates under the name Darling Ingredients International. These recent transformations necessitate ongoing review of our compensation practices and policies. Changes made by our compensation committee to our 2015 executive compensation program included the following:

- <sup>n</sup> established new peer groups for purposes of evaluating our performance under the company's incentive programs and for setting compensation levels for our named executive officers (NEOs);
- <sup>n</sup> raised the performance standard, as measured against our Performance Peer Group, required for target level payouts under our annual incentive bonus;
- <sup>n</sup> changed the mix of performance measures used to determine the annual incentive bonus so that 65% of payout of annual incentive bonus is now tied to a targeted level of earnings before interest, taxes, depreciation and amortization (EBITDA) and 35% is tied to achievement of strategic, personal and operational (SOP) goals (change from prior 75%/25% split); and
- <sup>n</sup> changed the performance period for our long-term incentive program over which ROGI is measured against our Performance Peer Group from five years to three years.

We believe that these changes improved upon good governance and best practices for 2015. See Fiscal 2015 Compensation Program Improvements at page 26 in this Proxy Statement.

***Response to 2015 Say On Pay Vote and Stockholder Engagement Process.*** At our 2015 Annual Meeting, following four years of positive voting results, for the first time stockholders did not provide majority support for our NEOs compensation. In reaction, our compensation committee intensified its ongoing stockholder outreach efforts to ensure stockholder perspectives and concerns were heard and well understood by the compensation committee and the full Board. Specifically, the compensation committee conducted an in-depth analysis of our compensation and governance practices and engaged Pearl Meyer as its new independent compensation consultant. In addition, members of the compensation committee and certain members of management reached out to stockholders representing over 80% of our outstanding shares at the time of outreach, to better understand the reasons for the vote outcome. We held direct conversations with every

stockholder who responded to our engagement request, with the chairman of our compensation committee leading most of the discussions. We also met with two different proxy advisory firms. These meetings occurred in the second half of 2015, while the compensation committee was considering changes to our executive pay program, to ensure that our 2016 pay decisions reflected the committee's consideration of our stockholders' comments. The primary focus of these meetings was to seek specific feedback on our compensation program and review potential changes to our compensation program. The feedback received from our stockholders was tremendously valuable and was incorporated into the full compensation committee's discussion and determination of compensation program changes

for 2016 discussed below.

***Fiscal 2016 Compensation Program Improvements.*** The compensation committee and the Board significantly changed our compensation program after reviewing trends in executive compensation and pay-related governance policies and in response to the results of our 2015 say on pay vote and stockholder feedback, including each of the following:

- <sup>n</sup> Reduced maximum payout for annual incentive bonus from 300% to 200% of target;
- <sup>n</sup> Adjusted long-term incentive value mix to 40% stock options and 60% Performance Share Units (PSUs);
- <sup>n</sup> Eliminated immediate 25% vesting in equity awards;
- <sup>n</sup> Shifted PSUs from backward-looking to forward-looking, with annual, overlapping grants tied to three-year, forward-looking performance based on average return on capital employed (ROCE) relative to our Performance Peer Group; provided that a small portion of fiscal 2016 LTI value will be granted as transition grants to facilitate the switch to forward-looking PSUs. Transition grants are tied to two-year, forward-looking performance based on average ROCE relative to our Performance Peer Group;
- <sup>n</sup> Eliminated guaranteed vesting portion of equity awards (previously 25% of target value) so that if performance is below threshold, no PSUs will be earned;

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- <sup>n</sup> Included a total shareholder return (TSR) collar for the PSUs that reduces (or increases) the number of PSUs earned if TSR relative to our performance peer group ranks near the bottom (or near the top); and
- <sup>n</sup> Included a holding period requirement for the PSUs, such that vested and earned PSUs (net of shares needed to pay taxes) will be subject to a holding period (restriction on sale) for two years after the end of the performance period. We note that these changes will not be reflected in the compensation disclosed in this Proxy Statement because they were not made until after the 2015 compensation program was in place; however, compensation related to these changes will be comprehensively covered in our 2017 Proxy Statement, where the compensation-related tables will reflect these changes. The compensation committee believes these changes will sharpen alignment between executive compensation and the interest of our stockholders, and support the achievement of our strategic and financial goals. For a more detailed discussion of these changes, please see *Fiscal 2016 Changes to Our Executive Compensation Program* on page 45 of this Proxy Statement.

**GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY HIGHLIGHTS**

Our company has a history of strong corporate governance. By evolving our governance approach in light of best practices, our Board drives sustained stockholder value and best serves the interests of our stockholders.

WHAT WE DO	WHAT WE DON'T DO
ü Majority voting for directors	x No supermajority voting requirements in bylaws or charter
ü 100% independent board committees	x No poison pill
ü 100% directors owning stock	x No supplemental executive retirement plans for NEOs
ü Annual election of directors	x No change in control excise tax gross-ups
ü Compensation recoupment policy	x No discounted stock options, reload stock options or stock option re-pricing without stockholder approval
ü Right to call special meeting threshold set at 10%	x Beginning in 2015, no automatic single-trigger vesting of equity compensation upon a change in control
ü Provide a majority of compensation in performance-based compensation	x No short-term trading, short sales, transactions involving derivatives, hedging or pledging transactions for executive officers
ü Pay for performance based on measurable goals for both annual and long-term awards	
ü Balanced mix of awards tied to annual and long-term performance	
ü Stock ownership and retention policy	

In addition, for us, respect for the environment and a commitment to the development of sustainable natural ingredients are the foundation on which our company is built. In this regard, we continuously look for new and better

ways to optimize nutrition and health for both people and animals and to minimize our environmental impact, all while creating value for our stockholders. For more information, please see our Corporate Social Responsibility webpage ([www.closingtheloops.info](http://www.closingtheloops.info)).

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**251 O Connor Ridge Boulevard, Suite 300**

**Irving, Texas 75038**

**PROXY STATEMENT**

**FOR AN ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MAY 10, 2016**