

Woodward, Inc.
Form DEF 14A
December 12, 2017
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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

WOODWARD, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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- 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:

- 5) Total fee paid:

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- 1) Amount Previously Paid:

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- 3) Filing Party:

- 4) Date Filed:

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WOODWARD, INC.

**NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS
AND PROXY STATEMENT**

December 12, 2017

Dear Stockholder:

You are cordially invited to join our Board of Directors and senior leadership at Woodward, Inc.'s Annual Meeting of stockholders at 8:00 a.m., Mountain Standard Time, on Wednesday, January 24, 2018, at Hilton Fort Collins located at 425 West Prospect Road, Fort Collins, Colorado. Please follow posted signs directing you to the registration table. We also invite you to join our directors and members of our management team for a continental breakfast at 7:30 a.m. The formal meeting will begin promptly at 8:00 a.m.

Parking is available on site. A map is located on the back of this proxy statement.

Your vote is very important to us and to the continued success of our Company. Please complete and return your proxy card by mail, or vote via telephone or the Internet, as soon as possible regardless of whether you plan to attend in person. Thank you in advance for your continuing commitment to Woodward.

Sincerely yours,

WOODWARD, INC.

Thomas A. Gendron

Chairman, Board of Directors

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Important Notice Regarding the Availability of Proxy Materials for our Annual Meeting to be Held on January 24, 2018:

This Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended September 30, 2017, including consolidated financial statements, are available to you at www.proxydocs.com/wwd.

Date and Time:

Wednesday, January 24, 2018

8:00 a.m., Mountain Standard Time

Place:

Hilton Fort Collins

425 West Prospect Road

Fort Collins, Colorado

The purpose of our Annual Meeting is to:

1. Elect as directors the three nominees identified in this proxy statement, each to serve for a term of three years;
2. Ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2018;
3. Vote on an advisory resolution regarding the compensation of the Company's named executive officers;
4. Approve the amended and restated Woodward, Inc. 2017 Omnibus Incentive Plan, including an increase in the number of shares reserved for issuance by 800,000; and
5. Transact other business that properly comes before the meeting, or any postponement or adjournment thereof. Stockholders who owned Woodward, Inc. common stock at the close of business on the record date, November 27, 2017, are entitled to vote at the meeting, or any postponement or adjournment thereof.

By Order of the Board of Directors,

WOODWARD, INC.

A. Christopher Fawzy

Corporate Secretary

December 12, 2017

YOUR VOTE IS IMPORTANT

Even if you plan to attend the meeting in person, please date, sign, and return your proxy card in the enclosed envelope, or vote via telephone or the Internet, prior to the meeting and as soon as possible. Your prompt response is helpful and your cooperation will be appreciated.

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ANNUAL REPORT ON FORM 10-K

You may obtain a free copy of our Annual Report on Form 10-K for the year ended September 30, 2017, filed with the Securities and Exchange Commission (SEC) and available at its website at www.sec.gov. Please contact the Corporate Secretary, Woodward, Inc., 1081 Woodward Way, Fort Collins, Colorado 80524 or email investor.relations@woodward.com. This report is also available at www.proxydocs.com/wwd.

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ABOUT THE ANNUAL MEETING AND VOTING

Woodward, Inc. (Woodward or the Company), on behalf of its Board of Directors (the Board), is soliciting your proxy to vote at our Annual Meeting of Stockholders to be held on January 24, 2018 (or at any postponement or adjournment of the meeting) (the Annual Meeting). This proxy statement summarizes the information you need to know to vote at the meeting.

We began mailing this proxy statement and the enclosed proxy card on or about December 12, 2017, to all stockholders entitled to vote at the Annual Meeting. The Woodward, Inc. Annual Report, which includes our most recent audited financial statements, is also being distributed with this proxy statement.

Stockholders who owned Woodward common stock at the close of business on the record date, November 27, 2017, are entitled to vote at the meeting. As of the record date, there were 61,251,372 shares of Woodward common stock outstanding.

Each share of Woodward common stock that you own entitles you to one vote on each matter to be presented at the Annual Meeting, except for the election of directors, for which you may cumulate your votes. Since three directors are standing for election, you will be entitled to three director votes for each share of stock you own. Of this total, you may choose how many votes you wish to cast for each director. The Board is not soliciting discretionary authority to cumulate votes with respect to the election of directors.

Woodward offers stockholders the opportunity to vote by mail, by telephone, or via the Internet. Instructions to use these methods are set forth on the enclosed proxy card. We urge you to vote promptly, even if you plan to attend the Annual Meeting in person.

If you vote by telephone or via the Internet, please have your proxy or voting instruction card available. A telephone or Internet vote authorizes the named proxies in the same manner as if you marked, signed, and returned the card by mail. Voting by telephone and via the Internet are valid proxy voting methods under the laws of Delaware (our state of incorporation) and our Amended and Restated Bylaws (our Bylaws).

If you properly fill in your proxy card and send it to us in time to vote, your shares will be voted as you have directed. If you sign the proxy card but do not make specific choices, your shares will be voted in accordance with the Board's recommendation as follows:

FOR the election of each of the Board's nominees to the Board;

FOR the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm;

FOR the advisory resolution regarding the compensation of the Company's named executive officers; and

FOR the approval of the amended and restated Woodward, Inc. 2017 Omnibus Incentive Plan, including an increase in the number of shares reserved for issuance by 800,000.

If any other matter is presented at the meeting, your shares will be voted in accordance with the proxyholder's best judgment. At the time this proxy statement was printed, we were not aware of any additional matters to be acted on at the meeting.

You may revoke your proxy by:

Entering a new vote by telephone, over the Internet, or by signing and returning another signed proxy card at a later date,

Notifying our Corporate Secretary in writing before the meeting that you have revoked your proxy, or

Voting in person at the meeting.

If you want to give your written proxy to someone other than the individuals named on the proxy card:

Cross out the individuals named and insert the name of the individual you are authorizing to vote, or

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ABOUT THE ANNUAL MEETING AND VOTING (continued)

Provide a written authorization to the individual you are authorizing to vote along with your proxy card. If you hold your shares through a broker, bank or other nominee, please follow the instructions on the Voting Instruction Form you receive from your broker.

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SUMMARY OF PROPOSALS SUBMITTED FOR VOTE

The following are only summaries of the proposals to be presented at the Annual Meeting. You should review the full discussion of each proposal in this proxy statement before casting your vote.

Proposal 1: Election of Directors

Director Nominees: At the Annual Meeting, you will be asked to elect to the Board the three nominees for director identified in this proxy statement. Each director will be elected to serve a three-year term and will hold office until the 2020 Annual Meeting held in or about January 2021 and until a successor is elected and qualified.

Vote Required: Because this is an uncontested election, directors are elected by a majority vote. A nominee for director in an uncontested election will be elected if the votes cast for that nominee's election exceed the votes cast against that nominee's election. Abstentions and broker non-votes will not be considered in the calculation. We have adopted a director resignation policy. Accordingly, each director has submitted an irrevocable resignation contingent upon not receiving a majority of votes in an uncontested election and acceptance of the resignation by the Board.

Proposal 2: Ratification of the Appointment of Independent Registered Public Accounting Firm

Independent Registered Public Accounting Firm: At the Annual Meeting, you will be asked to ratify the Audit Committee's appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2018.

Vote Required: The affirmative vote of the holders of a majority of shares of Woodward common stock present in person or by proxy and entitled to vote at the Annual Meeting will be required to ratify the Audit Committee's appointment of the independent registered public accounting firm. Abstentions will count as a vote against the proposal. Broker non-votes will have no effect on the outcome of the vote.

Proposal 3: Approval of Advisory Resolution Regarding the Compensation of the Named Executive Officers

Compensation of the Company's Named Executive Officers: At the Annual Meeting, you will be asked to approve an advisory resolution regarding the compensation of the Company's named executive officers.

Vote Required: The affirmative vote of the holders of a majority of shares of Woodward common stock present in person or by proxy and entitled to vote at the Annual Meeting will be required for the approval of the advisory resolution regarding the compensation of the Company's named executive officers. Abstentions will count as a vote against the proposal. Broker non-votes will have no effect on the outcome of the vote.

This proposal 3, commonly referred to as a say-on-pay proposal, is not binding on the Board or the Compensation Committee. However, the Board and the Compensation Committee will review and consider the voting results when evaluating our executive compensation program.

Proposal 4: Approval of the Amended and Restated Woodward, Inc. 2017 Omnibus Incentive Plan

Approval of the Amended and Restated Woodward, Inc. 2017 Omnibus Incentive Plan, including an increase in the number of shares reserved for issuance thereunder by 800,000: At the 2016 Annual Meeting, stockholders of the Company approved the Woodward, Inc. 2017 Omnibus Incentive Plan (the 2017 Plan). At the 2017 Annual Meeting, you will be asked to approve an amended and restated 2017 Plan (the Amended 2017 Plan), including an increase in the number of shares reserved for issuance thereunder by 800,000.

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SUMMARY OF PROPOSALS SUBMITTED FOR VOTE (continued)

Vote Required: The affirmative vote of a majority of the votes cast on Proposal 4 at the Annual Meeting will be required for the approval of the Amended 2017 Plan. Under the listing rules of NASDAQ, with respect to Proposal 4, abstentions will have the effect of a vote against the proposal. Broker non-votes will have no effect on the outcome of the vote.

The Board unanimously recommends that the stockholders vote FOR the election of each of the director nominees and FOR each of proposals 2 through 4 listed above.

Quorum

A quorum of stockholders is necessary to hold a valid meeting. The presence, in person or by proxy, at the Annual Meeting of holders of shares representing a majority of the votes of the common stock entitled to vote constitutes a quorum. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs when a stockholder does not provide voting instructions to his or her broker or nominee and the broker or nominee does not have discretionary authority to vote on the matter, as further described below under **Voting of Shares Held in Street Name by Your Broker**.

Abstentions

Abstentions are counted as present for establishing a quorum. For all proposals in this proxy statement, except for the election of directors, abstentions have the same effect as votes against the matter.

Voting of Shares Held in Street Name by Your Broker

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 or nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker how to vote your shares. You are also invited to attend the Annual Meeting and vote your shares in person. In order to vote your shares in person, you must provide us with a legal proxy from your broker.

Brokerage firms have authority to vote customers' shares for which they have not received voting instructions on certain routine matters, such as ratification of the auditors. If you do not provide voting instructions, your brokerage firm may either vote your shares on routine matters or leave your shares unvoted. On the other hand, absent instructions from customers, a brokerage firm cannot vote customers' shares on non-routine matters, such as the election of directors, the advisory resolution regarding the compensation of our named executive officers, and the approval of the Amended 2017 Plan. The shares for which instructions are not given and therefore, remain unvoted, are referred to as broker non-votes. For the purposes of this Annual Meeting, the only routine matter is the Ratification of the Appointment of our Independent Registered Public Accounting Firm. Consequently, if you do not give your brokerage firm specific instructions, your shares will not be voted on the other, non-routine, matters and will not be

counted in determining the number of shares necessary for approval, although they will count for purposes of determining whether a quorum exists. We encourage you to provide instructions to your brokerage firm. This ensures your shares will be voted at the meeting.

In order for your shares to be voted on all matters presented at the Annual Meeting, including the election of directors, we urge all stockholders whose shares are held in street name by a brokerage firm to provide voting instructions to the brokerage firm.

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BOARD OF DIRECTORS

Woodward's certificate of incorporation provides for the Board to be divided into three classes, designated Class I, Class II and Class III, with directors in each class serving a three-year term. Woodward's certificate of incorporation further provides that the Board must consist of no less than six directors. The exact number of directors serving on the Board, and the exact number of directors in each class, is determined from time to time by resolution of the Board. If the number of directors changes, any increase or decrease must be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible. The Company's Bylaws and Director Guidelines provide that directors are elected by a majority of the votes cast and we have a corresponding resignation policy for uncontested director elections. Contested elections are determined by a plurality vote.

On January 25, 2017, the Board increased the approved number of directors from nine to eleven, and effective on February 15, 2017, the Board appointed Eileen P. Drake and Daniel G. Korte to serve as directors. John A. Halbrook, age 72, will not stand for re-election following the expiration of his term on January 24, 2018, as our Director Guidelines provide that Board members generally will not be nominated for re-election after attaining the age of 70. In light of Mr. Halbrook's retirement from the Board, the Board will reduce the number of directors from eleven to ten, effective upon the expiration of Mr. Halbrook's term on the date of the Annual Meeting.

The Board's three classes are currently comprised of four Class I directors, including Mr. Halbrook, four Class II directors, and three Class III directors. Upon Mr. Halbrook's retirement at the end of his current term, Class I will be comprised of three directors. Each of the three directors identified in this proxy statement as standing for election at the 2017 Annual Meeting of Stockholders has been nominated by the Board at the recommendation of the Nominating and Governance Committee to hold office for a three-year term expiring in January 2021, or when a successor is elected and qualified. Mr. Korte is standing for election by stockholders for the first time. Messrs. Gendron and Sega are incumbents. Directors identified in this proxy statement who are not standing for election at this meeting will continue in office for the remainder of their respective terms.

If a nominee is unavailable for election, proxy holders will vote for another nominee proposed by the Nominating and Governance Committee.

We identify below certain biographical information of each of our directors and the director nominees for election, including his or her principal occupation, public company directorships currently held or held during the past five years and other business affiliations. We also describe the specific experience, qualifications, attributes and skills of each director and director nominee that led the Board to conclude that he or she should serve as a member of the Board.

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BOARD OF DIRECTORS (continued)

PROPOSAL 1 ELECTION OF DIRECTORS

Directors Standing for Election at This Meeting for Terms Expiring in 2021:

Thomas A. Gendron

Mr. Thomas A. Gendron has been Chairman of the Board of the Company since January 2008, and has been President and Chief Executive Officer of the Company since July 2005. Mr. Gendron previously served as Chief Operating Officer and President of the Company from September 2002 until July 2005, and as Vice President and General Manager of Industrial Controls from June 2001 until September 2002. Prior to that, Mr. Gendron served as Vice President of Industrial Controls from April 2000 through May 2001, and as Director of Global Marketing and Industrial Controls Business Development from February 1999 through March 2000. Overall, Mr. Gendron has served with Woodward for over 25 years in both the aircraft and industrial businesses, providing leadership in sales, marketing, business development, and product support management.

His experience with and knowledge of the Company's businesses and the industries in which they operate has enabled Mr. Gendron to lead the Company's growth since his appointment to President and Chief Operating Officer in September 2002. He has brought significant insight to the Board due to his comprehensive understanding of the Company and its operations at multiple levels, including the Company's strategic vision, products, suppliers, customers and markets.

Age: 56

Other public company directorships: Hexcel Corporation (since 2010).

Director since: 2005

Mr. Daniel G. Korte served as Chief Executive Officer of LMI Aerospace, Inc. (LMI), now part of the Sonaca Group, from February 2014 through October 2017. Prior to

Daniel G. Korte

joining LMI, Mr. Korte was the President of the Rolls-Royce Defense Group in Washington, DC and London, UK from 2009 through 2012. From 1985 through 2009, Mr. Korte held various senior level roles at The Boeing Company in supply chain, program management and general management.

Mr. Korte is a results-oriented leader, skilled in identifying and capitalizing on global market opportunities that drive revenue and profitable growth. His experience and strong contributions in the commercial and defense aerospace markets brings a valuable set of skills to the Board.

Other public company directorships: LMI Aerospace, Inc. (2014-2017).

Age: 57

Director since: 2017

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BOARD OF DIRECTORS (continued)

Ronald M. Segal

Dr. Ronald M. Segal has served as Director, Systems Engineering Programs at Colorado State University (CSU) and Special Assistant to the Chancellor for Strategic Initiatives since September 2013. Prior to this role, he was Vice President and Enterprise Executive for Energy and the Environment at CSU and The Ohio State University (OSU) from September 2010 through August 2013. CSU and OSU are two Land-Grant universities engaged in efficient, sustainable development of practical products using our natural resources through education, research and outreach. At CSU, he served as chair of the Sustainability, Energy, and Environment Advisory Committee. Dr. Segal also served as chair of the President's and Provost's Council on Sustainability at OSU. Dr. Segal held the position of Vice President for Energy, Environment, and Applied Research with the CSU Research Foundation from September 2007 through August 2010. Prior to joining CSU, Dr. Segal served as Under Secretary for the U.S. Air Force from August 2005 to August 2007. As Under Secretary, Dr. Segal led a team that developed a comprehensive energy strategy emphasizing supply, demand, and culture with results in 2006 leading to the receipt of the overall Presidential Award for Leadership in Federal Energy Management for the U.S. Government. As Under Secretary, Dr. Segal also acted as the Department of Defense (DOD) Executive Agent for space, and the Air Force Service Acquisition Executive for space programs. From August 2001 until August 2005, Dr. Segal was Director of Defense Research and Engineering, Office of the Secretary of Defense, which is the Chief Technology Officer for the DOD. From July 1996 to August 2001, he served as Dean, College of Engineering and Applied Science, University of Colorado at Colorado Springs. Dr. Segal is a former NASA astronaut and veteran of two shuttle missions. He retired from the U.S. Air Force in the rank of Major General. Dr. Segal is a Fellow of the American Institute of Aeronautics and Astronautics, as well as a Fellow of the Institute of Electrical and Electronics Engineers.

Age: 65

Director since: 2008

Dr. Segal brings to the Board extensive experience applying academic research to real-world situations, knowledge of U.S. government contracting practices, and expertise in aerospace and energy technology and markets.

Other public company directorships: Rentech, Inc. (since 2007).

Your Board unanimously recommends a vote FOR each of the nominees presented in Proposal 1.

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BOARD OF DIRECTORS (continued)

Directors Remaining in Office Until 2019:

John D. Cohn

Mr. John D. Cohn has served as Senior Vice President, Asia Business Planning and Execution, of Rockwell Automation, Inc. (Rockwell Automation), a global provider of innovative industrial automation and information products, services and solutions, since September 2011. In this capacity, Mr. Cohn develops and implements regional and country level business strategies for approximately \$1 billion of Rockwell Automation sales. Additionally, Mr. Cohn leads business development activities, industry business plans, and other market expansion opportunities to drive growth for Rockwell Automation on a global basis. Prior to accepting this position, Mr. Cohn served as Rockwell Automation's Senior Vice President, European Business Planning and Execution, from March 2009 to August 2011, and as Senior Vice President, Strategic Development and Communications, from 1999 to 2009.

Mr. Cohn brings to the Board expertise in global market and business development, execution of focused initiatives, and experience with leading organizations through change management, mergers and acquisitions.

Other public company directorships: None held during the past five years.

Age: 63

Director since: 2002

Lead Director

Eileen P. Drake

Ms. Eileen P. Drake has served as Chief Executive Officer and President of Aerojet Rocketdyne Holdings, Inc. (Rocketdyne), a manufacturer of aerospace and defense products, since June 2015. She joined Rocketdyne in March 2015 as Chief Operating Officer. Ms. Drake was previously with United Technologies Corporation (UTC) from

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November 2003 through February 2015, where she served as President of Pratt & Whitney AeroPower's auxiliary power unit and small turbojet propulsion business from January 2012 through January 2015. She also held other various senior level roles during her tenure at UTC. Prior to joining UTC, Ms. Drake held various senior level roles with Ford Motor Company between 1996 and 2003. Ms. Drake served on active duty for seven years as a U.S. Army aviator and airfield commander of Davison Army Airfield in Fort Belvoir, Virginia.

Ms. Drake is an accomplished, dynamic leader with extensive experience in profit and loss management, operations, quality and supply chain. She brings to the Board extensive experience in the Aerospace industry and a results-oriented mentality.

Age: 51

Other public company directorships: Aerojet Rocketdyne Holdings, Inc. (since 2015).

Director since: 2017

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BOARD OF DIRECTORS (continued)

James R. Rulseh

Mr. James R. Rulseh has served as President of JRR & Associates, LLC, an independent manufacturing consulting company focused on operations improvement and operational leadership excellence, since May 2011. Prior to May 2011, Mr. Rulseh served as the Chief Operating Officer, Tulip Corporation, a private manufacturing company, since October 2009. Prior to joining Tulip Corporation, Mr. Rulseh served in the following capacities for Modine Manufacturing Company, an NYSE listed company that is a diversified global leader in thermal management technology and solutions: Special Assistant to the Chief Executive Officer, from January 2009 to October 2009; Regional Vice President Americas, and an officer of Modine Manufacturing Company, from October 2007 to January 2009; Regional Vice President Asia and an officer of Modine Manufacturing Company, from November 2006 to October 2007; Group Vice President and an officer of Modine Manufacturing Company, from April 2001 to November 2006; Managing Director of the Automotive Business Unit of Modine Europe, from 1998 to March 2001. Prior to 1998, Mr. Rulseh had held various other positions with Modine beginning in 1977.

Age: 62

Mr. Rulseh's experience as a Global Business Advisor, COO of Tulip Corporation and his extensive operational management experience at Modine Manufacturing Company provide him with significant insight and experience into the operations, challenges and complex issues facing major manufacturing corporations such as Woodward. Mr. Rulseh also brings to the Board extensive senior executive level experience in international manufacturing and business restructurings.

Director since: 2002

Other public company directorships: Accuride Corporation (2013-2016).

Gregg C. Sengstack

Mr. Gregg C. Sengstack was appointed Chief Executive Officer of Franklin Electric Co., Inc. (Franklin Electric), a manufacturer and distributor of water and fuel pumping systems, in May 2014, and Chairman in May 2015. He has been President of Franklin Electric since December 2011. Franklin Electric is a global leader in the production and marketing of systems and components for the movement of water and automotive fuels. Mr. Sengstack was President of Franklin Electric's International Water Systems and Fueling Group from 2005 to 2011, and was Chief Financial Officer for Franklin Electric from 1999 to 2005. Mr. Sengstack joined Franklin Electric in 1988 and has worked on numerous acquisitions in the U.S. and overseas during his career.

Mr. Sengstack's combination of P&L, finance, international and general management and top leadership experience, as well as his consensus-driven global leadership style and experience working with boards, allow him to provide the Board with strong insight into the Company's multi-national markets and operations.

Other public company directorships: Franklin Electric Co., Inc. (since 2014).

Age: 59

Director since: 2011

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BOARD OF DIRECTORS (continued)

Directors Remaining in Office Until 2020:

Mary L. Petrovich

Ms. Mary L. Petrovich has been serving as a senior advisor to private equity with the Carlyle Group and American Security Partners since June 2011. Prior to this role, Ms. Petrovich served as General Manager of AxleTech International, a supplier of off-highway and specialty vehicle drive train systems and components, after its acquisition by General Dynamics in December 2008. Ms. Petrovich served as Chairman and Chief Executive Officer of AxleTech International from 2001 through the December 2008 sale of the company to General Dynamics. Prior to AxleTech, in 2000, Ms. Petrovich was President of the Drivers Controls Division of Dura Automotive, possessing management responsibility for 7,600 employees.

Ms. Petrovich has extensive experience with mergers, acquisitions and the integration of acquired businesses in the automotive, off-highway and transportation industries. This experience, together with her operational experience with Six Sigma lean manufacturing techniques and supply chain management, and her experience in evaluating new business opportunities, provides the Board with valuable knowledge in its oversight of Woodward's operational efficiency and recent acquisitions.

Age: 54

Other public company directorships: WABCO (since 2011); GT Advanced Technologies Inc. (2011-2014); Modine Manufacturing Company (2011-2014).

Director since: 2002

Paul Donovan

Mr. Paul Donovan retired in 2004 as special advisor to the Chairman of Wisconsin Energy Corporation. Mr. Donovan had previously served as the Executive Vice President and Chief Financial Officer of Wisconsin Energy Corporation from 1999 until 2003. Prior to joining Wisconsin Energy Corporation, Mr. Donovan was Executive Vice President and Chief Financial Officer of Sundstrand Corporation, a manufacturer of aerospace and industrial products, from June 1988 to August 1999. Prior to June 1988, he held a variety of financial positions, including at Allied Signal and Ford Motor Company.

Mr. Donovan's demonstrated leadership of large company corporate finance and tax departments provides the Board with expertise regarding the intricacies of tax, banking, finance, and mergers and acquisitions. He also possesses direct knowledge of the power generation, transportation and aerospace markets, all of which are key business segments for Woodward. As a former member of the Office of the Chairman at Wisconsin Energy and a former member of the Executive Office at Sundstrand Corporation, Mr. Donovan contributes to the Board not only his strong knowledge of the markets in which Woodward competes, but also strong leadership and insight into large organizations.

Other public company directorships: CLARCOR, Inc. (2003-2017).

Age: 70

Director since: 2000

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BOARD OF DIRECTORS (continued)

Jonathan W. Thayer

Mr. Jonathan W. Thayer has served as Senior Executive Vice President and Chief Financial Officer of Exelon Corporation (Exelon), an energy provider and holding company for several energy businesses, since 2012. Prior to joining Exelon, Mr. Thayer held the position of Senior Vice President, Chief Financial Officer for Constellation Energy Group, Inc. (Constellation Energy) from October 2008 until Constellation Energy's acquisition by Exelon. Mr. Thayer was also appointed Treasurer of Constellation Energy in August 2008, and held prior positions of Vice President and Managing Director, Corporate Strategy and Development (2004-2008) and Director, Investor Relations (2003-2004). Prior to joining Constellation Energy, Mr. Thayer held financial positions at Deutsche Bank Securities, Inc. and SBC Warburg Dillon Read, Inc.

Mr. Thayer brings to the Board expertise in corporate finance and strategy, equity offerings, complex M&A transactions, including post acquisition integration, and risk management. He is experienced in leading across periods of growth, maturation, disruption, and crisis. Mr. Thayer has a strong sense of board governance, and an understanding of promoting shareholder value and investor relations.

Age: 46

Other public company directorships: None held during the past five years.

Director since: 2016

Director Whose Term Will Not Continue After the Annual Meeting:

John A. Halbrook

Mr. John A. Halbrook retired as Chairman of the Board of the Company in January 2008, and previously served as Chief Executive Officer of the Company from November 1993 until July 2005. Mr. Halbrook has served in various other executive positions with the Company, including Chief Executive Operating Officer and President. Prior to joining Woodward, Mr. Halbrook garnered broad experience in finance and accounting, budgeting, marketing, strategic planning and operations through positions with Worthington Pumps, McGraw Edison, Turbodyne, General Electric, and General Dynamics.

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Through his tenure as Chairman and Chief Executive Officer of Woodward, Mr. Halbrook brings to the Board insight into the Company's operations and an understanding of the complex issues facing Woodward's business segments and the markets in which the Company competes.

Other public company directorships: None held during the past five years.

Age: 72

Director since: 1991

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GOVERNANCE

Governance Documents

Woodward's policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of the NASDAQ Global Select Market (NASDAQ), SEC rules and regulations, and the applicable corporate governance requirements of the Sarbanes-Oxley Act and the Dodd-Frank Act. We maintain a corporate governance page on our website at www.woodward.com that can be accessed by clicking on [Investors](#) and then on [Corporate Governance](#). Included on this site are a message from our Chairman and Chief Executive Officer and the following documents adopted by our Board:

The Woodward Constitution;

Our Director Guidelines;

Executive/Director Stock Ownership Guidelines;

The Woodward Code of Business Conduct and Ethics for directors, officers, and employees (who we refer to as members);

Woodward Code of Ethics for Senior Financial Officers and Other Finance Members;

Our policy relating to [Insider Trades of Woodward Stock](#);

Our Clawback Policy; and

Our Related Person Transaction Policies and Procedures.

Charters for our Audit Committee, Compensation Committee, Executive Committee, and Nominating and Governance Committee can be found by clicking on [Investors](#), then selecting [Board of Directors](#), and then clicking on the [Board Committees and Charters](#) link.

Sustainability

Woodward's mission is to set the global standard in energy control solutions for the aerospace and industrial markets and promote sustainable solutions by optimizing energy use through improved efficiency and lower emissions.

Woodward's commitment to sustainability extends to several aspects of our business, including:

Products and Facilities Clean energy technologies and innovative product and facility designs contribute to the global reduction of harmful emissions as well as the more efficient use of energy and other natural resources;

Governance The Company's governance structure and core principles enable sustainable growth while advancing shareholder value through strong relationships with members, customers, and other stakeholders; and

Culture and Community Woodward is dedicated to the development of our members and our local communities, and seeks to promote collaborative, effective partnerships at all levels of interaction. Woodward's sustainability report outlines our present and future commitment to sustainability. Our sustainability report is available on our website and can be accessed by clicking on [Our Company](#) and then on [Social Responsibility](#).

INDEPENDENT DIRECTORS

The Board, during its annual review of the independence of its members, has determined that each member of the Board, other than Mr. Gendron, is independent under the criteria established by current NASDAQ listing requirements for independent directors. In addition, the Board has determined that each member of the Audit Committee and each member of the Compensation Committee meets the additional independence criteria required for audit committee and compensation committee members, as applicable, established by SEC rules and regulations and NASDAQ listing requirements.

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BOARD LEADERSHIP STRUCTURE

Mr. Gendron serves as our Chairman of the Board and Chief Executive Officer. Because one individual serves as both Chairman and CEO, the Board appoints an independent director to serve as Lead Director. The Board recently adopted a policy providing that the Lead Director would serve a maximum term of five years. In November 2017, Mr. Cohn was appointed to Lead Director, replacing Mr. Rulseh who had served in that capacity for more than five years and was, therefore, rotated out pursuant to the Company's newly adopted policy. The independent Lead Director chairs separate executive sessions of the independent directors following regularly scheduled Board meetings. The duties and responsibilities of the Lead Director are set forth under the Board Meetings and Committees Lead Director section below. The Board believes the combined Chairman/CEO position, together with an independent Lead Director, has certain advantages over other board leadership structures and best meets the Company's current needs. Mr. Gendron's leadership as Chairman and CEO provides our Board with detailed and in-depth knowledge of the Company's strategy, markets, operations and financial condition, and enhances our ability to communicate a clear and consistent strategy to our stockholders, employees and business partners. This leadership structure differentiates the oversight role of the Lead Director and other independent directors from the oversight role of the Chairman/CEO and other management, enabling the Board and the Chairman/CEO to have greater clarity and focus on their respective leadership roles.

The Board is responsible for overseeing the management of the business and affairs of the Company; selecting and recommending to stockholders appropriate candidates for election to the Board; reviewing and, where appropriate, approving the business plans, major strategies and financial objectives of the Company; evaluating Board processes and performance and the overall effectiveness of the Board; evaluating the performance of the Company and of senior management; requiring, approving and overseeing the implementation of the Company's succession plans; reviewing compliance with applicable laws and regulations and adopting policies of corporate conduct to assure compliance with applicable laws and regulations and to assure maintenance of necessary accounting, financial and other controls.

The Board understands there is no single one-size fits all approach to providing Board leadership in the competitive and changing environment in which we operate. The optimal Board leadership structure may vary as circumstances warrant. At present, the Board believes its current structure effectively maintains independent oversight and management. Consistent with our Director Guidelines, the Board reviews and considers whether the positions of Chairman and CEO should be combined or separated as part of a regular review of the effectiveness of the Company's governance structure.

Table of Contents**BOARD MEETINGS AND COMMITTEES**

The Board met seven times in fiscal year 2017. All directors attended at least 80 percent of the aggregate of the total meetings of the Board and all committees on which they served. Directors are encouraged, but are not required, to attend annual meetings of stockholders. The Company's last annual meeting of stockholders was attended by all incumbent directors at the time.

The Board has the following standing committees: Audit Committee; Compensation Committee; Nominating and Governance Committee; and Executive Committee. All actions by committees are reported to the Board at the next regularly scheduled meeting. As part of its ongoing corporate governance review, the Board reviews its assignment of committee memberships annually and made no changes in fiscal year 2017 to those assignments as reported in last year's proxy statement except for (i) the removal of Dr. Larry E. Rittenberg from the Audit Committee and the Executive Committee following his retirement on January 25, 2017, (ii) the appointment of Mr. Sengstack as the Audit Committee Chair, replacing Dr. Rittenberg, and (iii) the addition of Ms. Drake and Mr. Korte to the Audit Committee following their February 15, 2017 appointments to serve as Directors. At its November 2017 meeting, the Board made the following additional changes of assignments: (i) Mr. Cohn was appointed to the position of Lead Director, replacing Mr. Rulseh, and (ii) Mr. Rulseh was appointed to the position of Nominating and Governance Committee Chairman, replacing Mr. Cohn as Chairman.

The following table reflects the committee memberships as of the filing date of this proxy statement:

NAME	AUDIT	COMPENSATION	NOMINATING & GOVERNANCE	EXECUTIVE
John D. Cohn				
Paul Donovan				
Eileen P. Drake				
Thomas A. Gendron				
John A. Halbbrook				
Daniel G. Korte				
Mary L. Petrovich				
James R. Rulseh				
Ronald M. Sega				
Gregg C. Sengstack				
Jonathan W. Thayer				
= Committee Member; = Chair				

Audit Committee

The Audit Committee oversees and monitors the Company's accounting and financial reporting processes, including the quality of internal controls over those processes and audits of the Company's financial statements and internal controls over financial reporting. The Audit Committee also assists the Board with overseeing the Company's processes for risk mitigation and with monitoring compliance with laws, regulations and the Company's Code of Business Conduct and Ethics. The Audit Committee is also responsible for reviewing the Company's financial

reporting risk exposure and the Company's risk assessment and risk management processes. In addition, the Audit Committee oversees compliance of the Company's financial statements with applicable rules and regulations and recommends to the Board, based on reviews and discussion with management and the Company's independent registered public accounting firm, that the audited financial statements of the Company be included in the Company's Annual Report on Form 10-K. The Audit Committee also retains, oversees, and evaluates the Company's independent registered public accounting firm, and is involved in the selection of the lead audit partner. The Audit Committee also reviews and approves the selection and tenure of the Company's internal audit lead, and periodically assesses the quality of internal audit

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BOARD MEETINGS AND COMMITTEES (continued)

activity. The Audit Committee operates under a charter that more fully describes the responsibilities of the Audit Committee. The Audit Committee reviews its charter at least annually and recommends to the Board such revisions as it deems necessary or appropriate. The Audit Committee charter is available at <http://www.woodward.com/Charter-Audit-Committee>.

Consistent with SEC rules and regulations and NASDAQ's listing standards, and in accordance with the Audit Committee charter, all members of the Audit Committee are independent directors, and meet all enhanced independence requirements for Audit Committee members. The Board of Directors determined that Messrs. Sengstack and Thayer are Audit Committee Financial Experts, within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933, as amended, and have experience resulting in financial sophistication as defined under NASDAQ listing requirements.

The Audit Committee meets as often as necessary to perform its duties and responsibilities.

The Audit Committee held five meetings in fiscal year 2017.

Compensation Committee

The Compensation Committee discharges the responsibilities of the Board relating to compensation of the Company's Chief Executive Officer and other executive officers, conducts an annual performance review of the Chief Executive Officer with input from the independent members of the Board, produces the annual report required by SEC rules, and recommends to the Board the inclusion of the Compensation Discussion and Analysis (CD&A) in the Company's Annual Report on Form 10-K and its proxy statement. The Compensation Committee reviews and approves the compensation of all of our executive officers. The Compensation Committee has oversight responsibility for the Company's annual and long-term incentive plans, which includes Woodward's Cash Long-Term Incentive Plan (the Cash LTI), the 2006 Omnibus Incentive Plan (the 2006 Plan), which has now expired, and the 2017 Plan (as may be amended from time to time). The Compensation Committee determines and takes all action, including granting of all incentives and/or stock options to eligible Company employees, in accordance with the terms of the plans. The Compensation Committee reviews performance against targets for both the annual incentive compensation plan and the long-term incentive compensation plan. The Compensation Committee's written charter, which describes the specific duties of the Compensation Committee, is available at <http://www.woodward.com/Charter-Compensation-Committee>.

Consistent with NASDAQ's listing requirements, and in accordance with the Compensation Committee charter, all members of the Compensation Committee are independent directors and meet the heightened standards for independence of Compensation Committee members under the NASDAQ listing rules. The Compensation Committee charter provides that the Compensation Committee may, after reviewing certain specified independence criteria, retain or obtain the advice of compensation advisers. The Compensation Committee charter also provides that the Compensation Committee is responsible for the appointment, compensation and oversight of the work of any such compensation advisers, and that the Company will provide for appropriate funding for payment of reasonable

compensation to any compensation advisers retained by the Compensation Committee.

The Compensation Committee meets as often as necessary to perform its duties and responsibilities. The Compensation Committee held six meetings in fiscal year 2017.

In making its decisions and completing its annual review of our Executive Compensation Program, the Compensation Committee routinely examines the following important factors:

Financial reports on performance versus budget and compared to prior year performance;

Calculations and reports on levels of achievement of corporate performance objectives;

Reports on the Company's strategic initiatives and budget for future periods;

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BOARD MEETINGS AND COMMITTEES (continued)

Information on the Company's officers and directors' stock ownership and option holdings;

Information regarding dilutive effects of the equity compensation plans;

Data regarding the total compensation of our Chief Executive Officer, Chief Financial Officer, and our three other most highly compensated executive officers (our Named Executive Officers, or NEOs), including base salary, cash incentives, equity awards, and any perquisites;

Information regarding compensation programs and compensation levels at our peer comparator group identified by our compensation consultant and described under the caption "Compensation Discussion and Analysis - Compensation Philosophy and Strategy - Competitive Comparisons";

The extent to which executive compensation and Company performance are aligned;

Trends, best practices and regulatory changes that impact executive compensation; and

The design and administration of the Company's compensation programs and equity compensation plans, and associated risks, if any.

Delegation of Authority

The Compensation Committee charter provides authority to the Compensation Committee to delegate its role and responsibilities to subcommittees entirely made up of Compensation Committee members. The Compensation Committee delegated to the Chairman of the Compensation Committee the authority to approve any and all option exercises when the optionee seeks to pay for the cost of the option and/or the taxes associated with the transaction with stock previously owned and held by the optionee for at least six months. The Chairman of the Compensation Committee is authorized to further delegate these responsibilities to any other member of the Compensation Committee. The Compensation Committee also delegated, to a subcommittee of not less than two independent Compensation Committee directors, the authority to issue interim stock option grants for new hires, subject to the stock option pool for grants as identified and approved by the Compensation Committee in advance on an annual basis.

Risk Assessment

The Compensation Committee regularly reviews the Company's compensation policies and practices, and believes they are robust and effective. The Company also conducted a review of its compensation plans and related risk to the Company. The Company and the Compensation Committee, with the input of Aon Hewitt, the Company's compensation consultant, have concluded that any risks arising from its employee compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Nominating and Governance Committee

The Nominating and Governance Committee recommends qualified individuals to fill any vacancies on the Board, develops and administers the Director Guidelines and the Company's corporate governance guidelines, establishes other guidelines, such as stock holding requirements for officers and directors, reviews and reassesses the Company's programs and policies related to its codes of conduct, and addresses other governance related matters. In addition, the Nominating and Governance Committee periodically evaluates the compensation and benefits of the Company's non-employee members of the Board and recommends any changes to the Board for approval.

In accordance with SEC rules and regulations, NASDAQ listing requirements, and the Nominating and Governance Committee's charter, all members of the Nominating and Governance Committee are independent directors. The Nominating and Governance Committee meets as often as necessary to perform its duties and responsibilities. The Nominating and Governance Committee held three meetings in fiscal year 2017. The Nominating and Governance Committee charter is available at <http://www.woodward.com/Charter-Nominating-and-Governance-Committee>.

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BOARD MEETINGS AND COMMITTEES (continued)

Executive Committee

The Executive Committee exercises all the powers and authority of the Board in the management of the business when the Board is not in session, and when, in the opinion of the Chairman of the Board, a particular matter should not be postponed until the next regularly scheduled Board meeting. The Executive Committee may declare cash dividends. The Executive Committee may not authorize certain major corporate actions such as amending the certificate of incorporation, amending the bylaws, adopting an agreement of merger or consolidation, or recommending the sale, lease, or exchange of substantially all of the assets of the Company. The Executive Committee meets as often as necessary to perform its duties and responsibilities. The Executive Committee held no meetings in fiscal year 2017. The Executive Committee charter is available at <http://www.woodward.com/Charter-Executive-Committee>.

Director Nomination Process

The Nominating and Governance Committee considers candidates for Board membership as recommended by directors, management, or stockholders. The Nominating and Governance Committee uses the same criteria to evaluate all candidates for Board membership, whether recommended by directors, management, or stockholders. As it deems necessary, the Nominating and Governance Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees. The Nominating and Governance Committee engaged a third-party consultant in fiscal year 2017 to assist in identifying and evaluating director candidates.

The Nominating and Governance Committee recommends qualified director candidates for nomination by the Board based on the skills and characteristics that the Board seeks in its members as well as consideration of the diversity of the Board as a whole. This review includes an assessment of, among other things, a candidate's knowledge, education, experience, cultural background, including race, gender and age, and skills in areas critical to understanding the Company and its business, with a commitment to enhancing shareholder value. The Nominating and Governance Committee seeks candidates with the highest professional and personal ethics and values, guided by the philosophy and concepts as expressed in the Company's Constitution, and who will operate in accordance with the Company's Code of Business Conduct and Ethics. The Nominating and Governance Committee also assesses a candidate's ability to make independent analytical inquiries, and willingness to devote adequate time to Board duties.

Director nominees should possess the following experience, qualifications, attributes and skills:

An understanding of the principal operational and financial objectives, plans and strategies of the Company;

An understanding of the results of operations and financial condition of the Company;

An understanding of the relative standing of the Company in relation to its competitors; and

Leadership experience at the policy-making level in business, government, education or public interest. Prospective directors should be committed to representing the long-term interests of the stockholders. A potential director must exhibit an inquisitive and objective perspective, an ability to think strategically, an ability to identify practical problems, and an ability to assess alternative courses of action that contribute to the long-term success of the business. Director candidates must have industry expertise and/or commit to understanding the Company's industry as a basis to address strategic and operational issues of importance to the Company. Directors are also expected to commit substantial time and energy to the Board and should ensure that other existing and future time commitments do not materially interfere with their service as a director. Directors shall limit their service to a maximum of four other public companies, and in the case of employee directors, to one other public company.

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BOARD MEETINGS AND COMMITTEES (continued)

The Nominating and Governance Committee considers relevant factors, as it deems appropriate, including the current composition of the Board and the need for expertise on various Board committees. Every effort is made to complement and supplement skills within the Board and strengthen identified areas of need. The Nominating and Governance Committee considers the ability of candidates to meet independence and other requirements of the SEC, NASDAQ, or other regulatory bodies exercising authority over the Company. Under the Director Guidelines, no individual will be nominated by the Board for re-election if such individual will achieve the age of 70 as of the annual stockholder meeting date of such re-election, unless the Board determines in its sole discretion that extraordinary circumstances exist that would support any such nomination. Additionally, directors whose professional responsibilities change significantly from those they had when they were elected to the Board or who are involved in other circumstances that may negatively impact the Board or the Company should volunteer to resign from the Board. Such persons should not necessarily leave the Board. There should, however, be an opportunity for the Board through the Nominating and Governance Committee to review the continued appropriateness of Board membership under the circumstances.

The Nominating and Governance Committee evaluation normally requires one or more members of the Nominating and Governance Committee, and others as appropriate, to interview prospective nominees in person or by telephone. Upon identification of a qualified candidate, the Nominating and Governance Committee will recommend a candidate for consideration by the full Board.

Stockholders wishing to suggest a candidate for Board membership should write our Corporate Secretary at 1081 Woodward Way, Fort Collins, Colorado 80524, and provide certain information to the Company as follows:

The stockholder's name and contact information;

A statement that the writer is a stockholder of record and is proposing a candidate for consideration by the Nominating and Governance Committee;

The name of, and contact information for, the candidate and a statement that the candidate is willing to be considered and serve as a director, if nominated and elected;

A statement of the candidate's business and educational experience;

Information regarding the factors described above sufficient to enable the Nominating and Governance Committee to evaluate the candidate;

A statement of the value that the candidate would add to the Board;

A statement detailing any relationship between the candidate and any of our customers, suppliers, or competitors; and

Detailed information about any relationship or understanding between the proposing stockholder and the candidate.

In connection with its evaluation, the Nominating and Governance Committee may request additional information from the candidate or the recommending stockholder. The Nominating and Governance Committee has discretion to decide which individuals to recommend for nomination as directors. In order to give the Nominating and Governance Committee sufficient time to evaluate a recommended candidate, the recommendation must be received by our Corporate Secretary not later than the 120th calendar day before the one year anniversary of the date our proxy statement was mailed to stockholders in connection with the previous year's Annual Meeting of stockholders. No candidates for director nominations were submitted to the Nominating and Governance Committee by any stockholder in connection with the election of directors at this Annual Meeting.

Table of Contents**BOARD MEETINGS AND COMMITTEES (continued)****Board Composition and Diversity**

The Board meets periodically with the Nominating and Governance Committee to review Board composition for diversity of knowledge, experience, cultural background, race, gender, and age which, when taken together, enables the Board to ensure that board members possess the skills, perspectives and expertise necessary to effectively oversee the Company's business. In this regard, the Nominating and Governance Committee considers, for each incumbent director and potential nominee, the various factors described in the below table. The Nominating and Governance Committee reviews the assessment and its recommendations with the Board.

The Nominating and Governance Committee is committed to exercising best practices of corporate governance and recognizes the importance of a Board that contains diverse experience at policy-making levels in business, public service, education, and technology, as well as other relevant knowledge that contributes to the Company's global activities. The Board believes that diversity is an important component of Board membership, and is guided by the Company's Bylaws, Director Guidelines, and Constitution, which requires the Board to adhere to the philosophy and concepts, including respect for the dignity, value and equality of all members.

Board diversity, leadership and experience qualifications for our independent directors are summarized in the table below:

BOARD MEMBER	CORPORATE GOVERNANCE		LEADERSHIP EXPERIENCE / COMPLIANCE	INDIVIDUAL DIVERSITY ATTRIBUTES	INDUSTRY KNOWLEDGE
John D. Cohn	16			63	
Paul Donovan	18	1		70	
Eileen P. Drake	1	1		51	
Thomas A. Gendron	13	1		56	
John A. Halbrook	27			72	
Daniel G. Korte	1	1		58	
Mary L. Petrovich	16	3		54	
James R. Rulseh	16	1		62	
Ronald M. Sega	10	1		65	
Gregg C. Sengstack	7	1		59	
Jonathan W. Thayer	2			46	

* Including year appointed

Lead Director

The Board recently adopted a policy providing that the Lead Director would serve a maximum term of five years. In November 2017, Mr. Cohn was appointed to Lead Director, replacing Mr. Rulseh who had served in that capacity for more than five years and was, therefore, rotated out pursuant to the Company's newly adopted policy. The Lead

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BOARD MEETINGS AND COMMITTEES (continued)

Director chairs separate meetings of the independent directors, generally following each regularly scheduled Board meeting. Topics discussed are at the discretion of the independent directors, and generally include among other things, a review of our Chief Executive Officer's performance. The Lead Director then meets with the Chief Executive Officer to review items discussed at the meeting and to provide an update with regard to overall CEO performance. The Lead Director then provides an update to the independent directors regarding each such feedback meeting with the Chief Executive Officer. Additionally, the Lead Director (together with the Chairman of the Compensation Committee) presents to the Chief Executive Officer his annual performance review as conducted by the Compensation Committee with input from the independent members of the Board of Directors. The Lead Director also communicates with the Chief Executive Officer on a regular basis to discuss any other Board matters or concerns, and acts as a liaison in that regard between the independent members of the Board and the Chief Executive Officer.

Stockholder Communications With the Board of Directors

Stockholders may send communications to the Board by submitting a letter addressed to: Woodward, Inc., Attn: Corporate Secretary, 1081 Woodward Way, Fort Collins, Colorado 80524. The Board has instructed the Corporate Secretary to forward such communications to the Lead Director. The Board has also instructed the Corporate Secretary to review such correspondence and, at the Corporate Secretary's discretion, not to forward correspondence which is deemed of a commercial or frivolous nature or inappropriate for Board consideration. The Corporate Secretary may also forward the stockholder communication within the Company to the Chief Executive Officer and President or to another executive officer to facilitate an appropriate response.

The Corporate Secretary maintains a log of all communications from stockholders and the disposition of such communications, which the directors review at least annually.

Risk Oversight

The Board is responsible for overseeing management's identification and mitigation of Company risks, including but not limited to risks associated with our strategic plan, capital structure, development activities and compliance with government regulations. The Board has the ultimate oversight responsibility for risk management processes, and various committees of the Board composed entirely of independent directors also have responsibility for some aspects of risk management oversight. While the Board and its various committees have oversight responsibilities for risk management processes, management has responsibility for the day-to-day aspects of risk management. The Board and its committees receive regular reports on risk management from Company management and independent auditors.

The Audit Committee is responsible for risks relating to the Company's financial statements, financial reporting processes, the evaluation of the effectiveness of internal control over financial reporting, and the Company's compliance with its financial and ethics policies.

The Compensation Committee is responsible for monitoring risks associated with the design and administration of the Company's compensation programs and equity compensation plans, and performs the annual performance review of

the CEO and ensures the independence of the compensation consultants.

The Nominating and Governance Committee oversees risks relating to the Company's corporate governance processes, compliance with the SEC and NASDAQ rules and regulations, and other state and federal laws and regulations relating to corporate governance, and reviews and reassesses the adequacy of the Company's Code of Business Conduct and Ethics.

The Board and its committees have direct and independent access to management. We believe this division of risk management responsibilities is the most effective approach for addressing the risks that Woodward faces. The existing Board leadership structure encourages communication between the independent directors and management, including those as a result of discussions between the Lead Director and the Chairman of the

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BOARD MEETINGS AND COMMITTEES (continued)

Board and Chief Executive Officer. By fostering increased communication, we believe that the current Board leadership structure leads to the identification and implementation of effective risk management strategies.

Related Person Transaction Policies and Procedures

The Board adopted the Company's Related Person Transaction Policies and Procedures (our RPT Policy), which provides that the Audit Committee will review and approve Interested Transactions (as described below). Our RPT Policy delegates the authority to act with respect to Interested Transactions that are valued below a stated threshold to the Chair of the Audit Committee.

Our RPT Policy defines an Interested Transaction with reference to transactions described in Item 404 of Regulation S-K promulgated by the SEC, which generally means a transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships or any material amendments or modifications thereto in which the Company (including any of its subsidiaries) was, is, or will be a participant and the amount involved exceeds \$120,000, and in which any Related Person had, has, or will have a direct or indirect interest.

Related Person also is defined in our RPT Policy with respect to the definitions contained in Item 404 of Regulation S-K. Generally, Related Persons consist of any director or executive officer of the Company, any nominee for director, any holder of five percent or more of the Company's common stock, or any immediate family member of any such persons. Immediate family member means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of any such person, and any person (other than a tenant or employee) sharing the household of such person. It may also include entities with which any of such persons have a relationship.

The approval procedures in our RPT Policy state that the Audit Committee will take into account, among other factors it deems appropriate, whether the Interested Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances. In addition, our RPT Policy states that, in connection with the approval or ratification of an Interested Transaction involving an outside director or nominee for director, the Audit Committee should consider whether such transaction would compromise such director's status as: (1) an independent director under NASDAQ's independence standards, (2) an