

ONE Gas, Inc.  
Form DEF 14A  
April 04, 2018  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**(Rule 14A 101)**  
**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

Definitive Proxy Statement

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

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**ONE Gas, Inc.**

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**Table of Contents**



NOTICE OF  
ANNUAL MEETING  
AND PROXY STATEMENT



Annual Meeting of Shareholders

Thursday, May 24, 2018

**Table of Contents**

**MISSION**

**We deliver natural gas for a better tomorrow.**

**VISION**

**To be a premier natural gas distribution company creating exceptional value for our stakeholders.**

**STRATEGY**

**Becoming ONE:**

**ONE in Responsibility** safety, reliability and compliance

**ONE in Value** employees, shareholders, customers and communities

**ONE in Industry** recognized leader, processes and productivity

**CORE VALUES**

**Safety:** We are committed to operating safely and in an environmentally responsible manner.

**Inclusion and Diversity:** We embrace and promote diversity and collaboration; every employee makes a difference and contributes to our success.

**Ethics:** We are accountable to the highest ethical standards; honesty, trust and integrity matter.

**Service:** We set a standard of exceptional service and make continuous improvements in our pursuit of excellence.

**Value:** We create value for all stakeholders, including our employees, customers, investors and communities.

**Table of Contents**

**April 4, 2018**

**Dear Shareholder:**

You are cordially invited to attend the Annual Meeting of Shareholders of ONE Gas, Inc., which will be held at 9:00 a.m. Central Daylight Time on Thursday, May 24, 2018, at our company headquarters at ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2<sup>nd</sup> Floor, Tulsa, Oklahoma 74103.

The matters to be considered and voted on at the meeting are set forth in the attached Notice of Annual Meeting of Shareholders and are described in the attached proxy statement. A copy of our 2017 annual report to shareholders is also enclosed. A report on our 2017 performance will be presented at the meeting.

We look forward to greeting as many of our shareholders as possible at the annual meeting. We know, however, that most of our shareholders will be unable to attend. Therefore, proxies are being solicited so that each shareholder has an opportunity to vote by proxy. You can authorize a proxy over the Internet or by telephone. Instructions for using these convenient services are included in the proxy statement and on the proxy card. Of course, if you prefer, you may vote by mail by signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope.

**If your shares are held by a broker, bank or other holder of record, unless you provide your broker, bank or other holder of record with your instructions on how to vote your shares, your shares will not be voted in the election of directors or in certain other important proposals as described in the accompanying proxy statement. Consequently, please provide your voting instructions to your broker, bank or other holder of record in a timely manner in order to ensure that your shares will be voted.**

Proposal 5 to consider and vote on a proposal to amend and restate our Certificate of Incorporation to eliminate the classified structure of our Board of Directors, provide for the annual election of directors and allow shareholder removal of directors with or without cause requires the affirmative vote of **at least 80% of the shares of common stock outstanding**. As a matter of good corporate governance, your Board recommends a vote **FOR** the proposal.

**YOUR VOTE IS IMPORTANT** Regardless of the number of shares you own, your vote is important. I urge you to submit your proxy as soon as possible so that you can be sure your shares will be voted.

Thank you for your investment in ONE Gas and for your continued support.

Sincerely,

**JOHN W. GIBSON**

Chairman of the Board

**Table of Contents**

**ONE GAS, INC. NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS**

**Time and date:** May 24, 2018, at 9:00 a.m. Central Daylight Time

**Place:** ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2<sup>nd</sup> Floor, Tulsa, Oklahoma 74103

- Items of business:**
- (1) To consider and vote on the election of Class I director nominees named in the accompanying proxy statement to serve on our Board of Directors for a three-year term;
  
  - (2) To consider and vote on the ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of ONE Gas, Inc. for the year ending December 31, 2018;
  
  - (3) To consider and vote on our executive compensation on a non-binding, advisory basis;
  
  - (4) To consider and vote on the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018);
  
  - (5) To consider and vote on a proposal to amend and restate our Certificate of Incorporation to eliminate the classified structure of our Board of Directors, provide for the annual election of directors and allow shareholder removal of directors with or without cause; and
  
  - (6) To consider and vote on such other business as may come properly before the meeting, or any adjournment or postponement of the meeting.

These matters are described more fully in the accompanying proxy statement.

**Record date:** March 26, 2018. Only shareholders of record at the close of business on the record date are entitled to receive notice of, and to vote at, the annual meeting.

**Proxy voting:** **YOUR VOTE IS IMPORTANT**

The vote of every shareholder is important. The Board appreciates the cooperation of shareholders in directing proxies to vote at the meeting. To make it easier for you to vote, Internet and telephone voting are available. The instructions in the accompanying proxy statement and attached to your proxy card describe how to use these convenient voting methods. Of course, if you prefer, you may vote by mail by completing your proxy card and returning it in the enclosed postage-paid envelope. You may revoke your proxy at any time by following the procedures set forth in the accompanying proxy statement.

**Whether or not you expect to attend the meeting in person, we urge you to vote your shares at your earliest convenience. This will ensure the presence of a quorum at the meeting. Voting your shares promptly, via the Internet, by telephone, or by signing, dating and returning the enclosed proxy card will save the expense of additional solicitation. Submitting your proxy now will not prevent you from voting your shares at the meeting, if you desire to do so, as your proxy is revocable at your option.**

**Important Notice Regarding Internet Availability of Proxy Materials:** This notice of annual meeting, proxy statement, form of proxy and our 2017 annual report to shareholders are available on our website at [www.ONEGas.com](http://www.ONEGas.com). Additionally, and in accordance with the rules of the Securities and Exchange Commission, you may access this proxy statement and our 2017 annual report at <http://shareholder.onegas.com>, which does not infringe on the anonymity of a person accessing such website. The website does not employ cookies or other user-tracking features.

The approximate date of the mailing of this proxy statement and accompanying proxy card is April 4, 2018.

By order of the Board,

**Brian K. Shore**

Corporate Secretary

Tulsa, Oklahoma



April 4, 2018

**Table of Contents****TABLE OF CONTENTS****PROXY STATEMENT**

This proxy statement describes important issues affecting our company and is furnished in connection with the solicitation of proxies by our Board for use at our 2018 Annual Meeting of Shareholders to be held at the time and place set forth in the accompanying notice.

Unless we otherwise indicate or unless the context indicates otherwise, all references in this proxy statement to ONE Gas, we, our, us, the company or similar references mean ONE Gas, Inc. and its subsidiaries, references to ONE mean ONEOK, Inc. and its subsidiaries, and references to the Board or Board of Directors mean the Board of Directors of ONE Gas, Inc.

<b><u>Summary Proxy Information</u></b>	<b>1</b>
<u>Proxy Statement Summary</u>	1
<u>Information About the Annual Meeting of Shareholders</u>	1
<u>Items of Business</u>	1
<u>Record Date</u>	1
<u>Internet Access to Proxy Materials</u>	1
<u>How to Vote if You Are a Shareholder of Record</u>	1
<u>How to Vote if Your Shares are Held by a Broker, Bank or Other Holder of Record</u>	2
<u>Shareholder Actions – Matters to be Voted Upon</u>	2
<u>Proposals, How You May Vote and Board Recommendations</u>	3
<u>Votes Required for Approval of the Proposals</u>	4
<u>Director Nominees and Continuing Directors</u>	4
<u>Business Highlights</u>	5
<u>Compensation Highlights</u>	6
<b><u>Corporate Responsibility</u></b>	<b>9</b>
<u>Safety and Health</u>	9
<u>Environmental Performance</u>	9
<u>Community Investment</u>	9
<u>Political Advocacy and Contributions</u>	10
<b><u>Outstanding Stock and Voting</u></b>	<b>11</b>
<u>Voting</u>	11
<u>Quorum</u>	11
<u>Matters to be Voted Upon</u>	11
<u>Votes Required</u>	12
Table of Contents	10

<u>Revoking a Proxy</u>	12
<u>Proxy Solicitation</u>	12
<b><u>Governance of the Company</u></b>	<b>13</b>
<u>Corporate Governance Guidelines</u>	13
<u>Code of Business Conduct and Ethics</u>	13
<u>Director Independence</u>	13
<u>Board Leadership Structure</u>	14
<u>Lead Independent Director</u>	14
<u>Succession Planning</u>	14
<u>Our Board and Corporate Strategy</u>	14
<u>Shareholder Engagement</u>	14
<u>Risk Oversight</u>	15
<u>Board and Committee Membership</u>	15
<u>Director Nominations</u>	18
<u>Director Compensation</u>	19
<u>Compensation Committee Interlocks and Insider Participation</u>	21
<u>Executive Sessions of the Board</u>	22
<u>Communications with Directors</u>	22
<u>Complaint Procedures</u>	22

**Table of Contents**

<b><u>Proposal 1 Election of Class I Directors</u></b>	<b>23</b>
<u>Election by Majority Vote</u>	23
<u>Board Qualifications</u>	23
<u>Director Nominees for Class I Directors</u>	24
<u>Class II Directors (continuing directors not up for re-election at the annual meeting)</u>	26
<u>Class III Directors (continuing directors not up for re-election at the annual meeting)</u>	27
<b><u>Proposal 2 Ratify the Selection of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for the Year ending December 31, 2018</u></b>	<b>29</b>
<u>Ratification of Selection of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for 2018</u>	29
<u>Audit and Non-Audit Fees</u>	29
<u>Audit Committee Policy on Services Provided by the Independent Registered Public Accounting Firm</u>	29
<u>2018 Report of the Audit Committee</u>	30
<b><u>Stock Ownership</u></b>	<b>32</b>
<u>Holdings of Major Shareholders</u>	32
<u>Holdings of Officers and Directors</u>	33
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	34
<b><u>Compensation Discussion and Analysis</u></b>	<b>35</b>
<u>Executive Summary</u>	35
<u>How We Determine Pay</u>	36
<u>Market Benchmarking</u>	37
<u>Elements of Our Executive Compensation Program for 2017</u>	38
<u>2017 Performance and Compensation Decisions</u>	38
<u>Share Ownership Guidelines</u>	43
<u>Risk Considerations</u>	44
<u>Clawback Provisions</u>	44
<u>Termination and Change in Control Benefits</u>	44
<u>Anti-Hedging and Anti-Pledging Policies</u>	45
<u>Employment Agreements</u>	45
<u>Internal Revenue Code Limitations on Deductibility of Executive Compensation</u>	45
<b><u>Executive Compensation Committee Report</u></b>	<b>46</b>
<b><u>Named Executive Officer Compensation</u></b>	<b>47</b>
<u>Summary Compensation Table for 2017</u>	47
<u>Grants of Plan-Based Awards for 2017</u>	49
<u>Outstanding Equity Awards at Fiscal Year End for 2017</u>	50
<u>Option Exercises and Stock Vested for 2017</u>	51
<u>Pension Benefits for 2017</u>	51
<u>Nonqualified Deferred Compensation for 2017</u>	53

<u>Potential Post-Employment Payments and Payments Upon a Change in Control</u>	54
<u>CEO Pay Ratio for 2017</u>	58
<u>Equity Compensation Plan Information</u>	58
<b><u>Proposal 3 Advisory Vote on Executive Compensation</u></b>	<b>59</b>
<u>Introduction</u>	59
<u>Our Executive Compensation Program</u>	59
<u>Vote Required and Board Recommendation</u>	60
<b><u>Proposal 4 Approval of the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018)</u></b>	<b>61</b>
<u>Introduction</u>	61
<u>Purpose of our ECP</u>	61
<u>Shares Available Under Our ECP</u>	61
<u>General Information About the ECP</u>	62
<u>Awards Under the ECP</u>	63
<u>Performance Stock Incentives</u>	64
<u>Change in Control Provisions</u>	64
<u>New Plan Benefits</u>	65
<u>Transferability Provisions</u>	65
<u>Federal Income Tax Consequences</u>	65
<u>Internal Revenue Code Section 162(M)</u>	65
<u>Vote Required and Board Recommendation</u>	66

**Table of Contents**

<b><u>Proposal 5 Approval of the Amended and Restated Certificate of Incorporation to Eliminate the Classified Structure of our Board, Provide for the Annual Election of Directors and Allow Shareholder Removal of Directors with or without Cause</u></b>	<b>67</b>
<u>Introduction</u>	67
<u>Background</u>	67
<u>Reasons for Amendment and Restatement</u>	68
<u>Vote Required and Board Recommendation</u>	68
<b><u>Related-Person Transactions</u></b>	<b>69</b>
<b><u>About the 2018 Annual Meeting</u></b>	<b>70</b>
<b><u>Shareholder Proposals</u></b>	<b>74</b>
<b><u>Householding</u></b>	<b>74</b>
<b><u>Annual Report on Form 10-K</u></b>	<b>75</b>
<b><u>Other Matters</u></b>	<b>75</b>
<b><u>Appendix A ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018)</u></b>	<b>A-1</b>
<b><u>Appendix B Amended and Restated Certificate of Incorporation</u></b>	<b>B-1</b>

**Table of Contents**

**SUMMARY PROXY INFORMATION**

To assist you in reviewing the company's 2017 performance and voting your shares, we would like to call your attention to key elements of our 2018 proxy statement and our 2017 annual report to shareholders. The following is only a summary. For more complete information about these topics, please review the complete proxy statement and our 2017 annual report to shareholders.

**PROXY STATEMENT SUMMARY**

The following summary provides highlights contained in this proxy statement. You should carefully read and consider the information contained in the proxy statement as this summary does not contain all the information you should consider before voting.

**INFORMATION ABOUT THE ANNUAL MEETING OF SHAREHOLDERS**

**Date:** Thursday, May 24, 2018

**Time:** 9:00 a.m., Central Daylight Time

**Place:** ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2<sup>nd</sup> Floor, Tulsa, Oklahoma 74103

**ITEMS OF BUSINESS**

Election of three Class I director nominees to serve until 2021

Ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2018

Approval, on a non-binding, advisory basis, of our executive compensation

Approval of the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018)

Approval of the amended and restated Certificate of Incorporation to eliminate the classified structure of our Board, provide for the annual election of directors and allow shareholder removal of directors with or without cause

Other business as may come properly before the meeting, or any adjournment or postponement of the meeting  
**RECORD DATE**

March 26, 2018

**INTERNET ACCESS TO PROXY MATERIALS**

Please visit <http://shareholder.onegas.com> for online access to our proxy materials including this proxy statement and the company's 2017 annual report.

**HOW TO VOTE IF YOU ARE A SHAREHOLDER OF RECORD**

**Via the Internet**

Go to the website at [www.proxypush.com/ogs](http://www.proxypush.com/ogs) which is available 24 hours a day, 7 days a week, until 11:59 p.m. (Central Daylight Time) on May 23, 2018.

Enter the control number that appears on your proxy card. This process is designed to verify that you are a shareholder, and allows you to vote your shares and confirm that your instructions have been properly recorded.

Follow the simple instructions.

**If you appoint a proxy via the Internet, you do not have to return your proxy card.**

**By mail**

Mark your selections on the proxy card.

Date and sign your name exactly as it appears on your proxy card.

Mail the proxy card in the enclosed postage-paid envelope.

If mailed, your completed and signed proxy card must be received prior to the commencement of voting at the annual

**By telephone**

On a touch-tone telephone, call toll-free **1.866.883.3382**, 24 hours a day, 7 days a week, until 11:59 p.m. (Central Daylight Time) on May 23, 2018.

Enter the control number that appears on your proxy card. This process is designed to verify that you are a shareholder, and allows you to vote your shares and confirm that your instructions have been properly recorded.

Follow the simple recorded instructions.

**If you appoint a proxy by telephone, you do not have to return your proxy card.**



meeting.

<b>ONE Gas, Inc. Notice of 2018 Annual Meeting of Shareholders and Proxy Statement</b>	<b>1</b>
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**Table of Contents**

**HOW TO VOTE IF YOUR SHARES ARE HELD BY A BROKER, BANK OR OTHER HOLDER OF RECORD**

This proxy statement and our 2017 annual report to shareholders should have been forwarded to you by your bank, broker or other holder of record, together with a voting instruction card. You have the right to direct your bank, broker or other holder of record how to vote your shares by using the voting instruction card you received from your bank, broker or other holder of record, or by following any instructions provided by your bank, broker or other holder of record for voting via the Internet or telephone.

**SHAREHOLDER ACTIONS MATTERS TO BE VOTED UPON**

**Election of Class I Directors (Proposal 1).** You will find in this proxy statement important information about the qualifications and experience of each of the Class I director nominees, each of whom is a current director. The Corporate Governance Committee performs an annual assessment of the performance of the Board to ensure that our directors have the skills and experience to effectively oversee our company. All of our directors have proven leadership, sound judgment, integrity and a commitment to the success of our company, and our Board recommends that shareholders **vote in favor** of each nominee for re-election.

**Ratification of our Independent Registered Public Accounting Firm (Proposal 2).** You will also find in this proxy statement important information about our independent registered public accounting firm, PricewaterhouseCoopers LLP. We believe PricewaterhouseCoopers LLP continues to provide high-quality service to our company, and our Board recommends that shareholders **vote in favor** of ratification.

**Advisory Vote on Executive Compensation (Proposal 3).** Our shareholders have the opportunity to cast a non-binding, advisory vote on our executive compensation program. In evaluating this say on pay proposal, we recommend that you review our Compensation Discussion and Analysis in this proxy statement, which explains how and why the Executive Compensation Committee arrived at decisions with respect to our 2017 executive compensation. Our Board recommends that shareholders **vote in favor** of our executive compensation program.

**Consider and vote on the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018) (Proposal 4).** You will find in this proxy statement important information about the proposed amendment and restatement of the Equity Compensation Plan to, among other things, increase the number of shares available for issuance under the plan. Our Board recommends that shareholders **vote in favor** of the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018).

**Consider and vote on a proposal to amend and restate our Certificate of Incorporation to eliminate the classified structure of our Board, provide for the annual election of directors and allow shareholder removal of directors with or without cause (Proposal 5).** You will find in this proxy statement important information about the proposed amendment and restatement of our Certificate of Incorporation to declassify the Board such that all directors will be elected annually for one-year terms and provide that directors may be

removed by shareholders with or without cause. Our Board recommends that shareholders **vote in favor** of our amended and restated Certificate of Incorporation.

**2**      **ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

Table of Contents**PROPOSALS, HOW YOU MAY VOTE AND BOARD RECOMMENDATIONS**

Each of the proposals, how you may vote, and how the Board recommends that you vote, is set forth in the following table:

Proposal	How may I vote?	How does the Board recommend that I vote?	Page Reference
<p>1. The election of the three Class I director nominees identified in this proxy statement, each for a three-year term.</p>	<p>You may vote <b>FOR</b> or <b>AGAINST</b> the approval of each of the three Class I director nominees, or you may indicate that you wish to <b>ABSTAIN</b> from voting on the matter.</p>	<p>The Board recommends that you vote <b>FOR</b> each of the three Class I director nominees.</p>	<p>23</p>
<p>2. The ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2018.</p>	<p>You may vote <b>FOR</b> or <b>AGAINST</b> the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2018, or you may indicate that you wish to <b>ABSTAIN</b> from voting on the matter.</p>	<p>The Board recommends that you vote <b>FOR</b> the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2018.</p>	<p>29</p>
<p>3. An advisory vote on executive compensation.</p>	<p>You may vote <b>FOR</b> or <b>AGAINST</b> the advisory vote on executive compensation, or you may indicate that you wish to <b>ABSTAIN</b> from voting on the matter.</p>	<p>The Board recommends that you vote <b>FOR</b> the approval, on an advisory basis, of the company's executive compensation.</p>	<p>59</p>

4. Approval of the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018)

You may vote **FOR** or **AGAINST** the approval of the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018), or you may indicate that you wish to **ABSTAIN** from voting on the matter.

The Board recommends that you vote **FOR** the approval of the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018).

5. Approval of the amended and restated Certificate of Incorporation to eliminate the classified structure of our Board, provide for the annual election of directors and allow shareholder removal of directors with or without cause

You may vote **FOR** or **AGAINST** the approval of the amendment and restatement our Certificate of Incorporation to eliminate the classified structure of our Board and provide for the annual election of directors and allow shareholder removal of directors with or without cause, or you may indicate that you wish to **ABSTAIN** from voting on the matter.

The Board recommends that you vote **FOR** the approval of amendment and restatement of our Certificate of Incorporation to eliminate the classified structure of our Board and provide for the annual election of directors and allow shareholder removal of directors with or without cause.

67

**Table of Contents****VOTES REQUIRED FOR APPROVAL OF THE PROPOSALS**

The votes required for each proposal is summarized below, together with how abstentions and broker non-votes will be treated for each proposal:

Proposal	Votes required for approval when quorum is present	Abstentions	Broker non-votes
1. The election of the three Class I director nominees identified in this proxy statement each for a three-year term.	Majority of the votes cast by the shareholders present in person or by proxy and entitled to vote	Do not count as votes cast	Do not count as votes cast and have no effect on the vote
2. The ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2018.	Affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote	Have the same effect as votes against this proposal	Voted at broker's discretion
3. An advisory vote on executive compensation.	Affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote	Have the same effect as votes against this proposal	Do not count as votes cast and have no effect on the vote
4. Approval of the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018).	Affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote	Have the same effect as votes against this proposal	Do not count as votes cast and have no effect on the vote

5. Approval of the amended and restated Certificate of Incorporation to eliminate the classified structure of our Board, provide for the annual election of directors and allow shareholder removal of directors with or without cause.	Affirmative vote of at least 80% of the shares of our common stock outstanding	Have the same effect as votes against this proposal	Have the same effect as votes against this proposal
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## DIRECTOR NOMINEES AND CONTINUING DIRECTORS

The following table summarizes information about the three Class I director nominees and the four continuing directors. As noted, five of our seven directors have been determined to be independent in accordance with the New York Stock Exchange ( NYSE ) independence standards and our director independence guidelines.

### Director Nominees Class I

Name	Age	Director since	Occupation	Independent	Committee memberships/positions
John W. Gibson	65	2014	Retired, Chief Executive Officer of ONEOK, Inc.	No	A*
Pattye L. Moore	60	2014	Chairman, Red Robin Gourmet Burgers	Yes	A, B, C*, D
Douglas H. Yaeger	69	2014	Retired, Chairman, President and Chief Executive Officer of The Laclede Group, Inc. (now known as Spire Inc.)	Yes	B, C**, D

**4**     **ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement



**Table of Contents****Continuing Directors**

Name	Age	Director since	Class/ Term	Occupation	Independent	Committee memberships/ positions
Pierce H. Norton II	58	2014	II/2019	President and Chief Executive Officer of ONE Gas, Inc.	No	A
Eduardo A. Rodriguez	62	2014	II/2019	President of Strategic Communication Consulting Group	Yes	A, B, C, D*
Robert B. Evans	69	2014	III/2020	Retired, President and Chief Executive Officer of Duke Energy Americas	Yes	B**, C, D
Michael G. Hutchinson	62	2014	III/2020	Retired, partner at Deloitte & Touche	Yes	A, B*, C, D**

**Committee memberships/positions key:**

A Executive Committee

B Audit Committee

C Executive Compensation Committee

D Corporate Governance Committee

\* Committee chair

\*\* Committee vice chair

**BUSINESS HIGHLIGHTS**

**Financial Performance.** 2017 operating income increased to \$299.5 million, compared with \$269.1 million in 2016, which reflects primarily new rates in Texas and Kansas and residential customer growth in Oklahoma and Kansas, higher sales and transportation volumes due to warmer than normal weather, offset partially by a slight

increase in operating expenses.

\* We were a business unit of ONEOK prior to January 31, 2014, and for the year ended December 31, 2013.

**Dividend.** During 2017, we paid cash dividends of \$1.68 per share. We paid total aggregate dividends to our shareholders of \$88 million in 2017. In January 2018, we declared a dividend of 46 cents per share (\$1.84 per share on an annualized basis), an increase of 4 cents per share compared with the previous cash dividend of 42 cents per share.

## **Table of Contents**

**Total Shareholder Return.** The market price of our common stock was \$73.26 per share at December 29, 2017, reflecting a total shareholder return (stock price appreciation and dividends) of 17.30 percent and an increase of 14.54 percent from the closing price of \$63.96 on December 30, 2016.

1 February 3, 2014 was the first day of regular way trading for ONE Gas, Inc. on the NYSE.

2 The ONE Gas peer group used in this graph is the same peer group that will be used in determining our level of performance under our 2017 performance units at the end of the four-year performance period and is comprised of the following companies: Alliant Energy Corp.; Atmos Energy Corporation; Avista Corporation; CMS Energy Corporation; New Jersey Resources Corporation; NiSource Inc.; Northwest Natural Gas Company; NorthWestern Corporation; Southwest Gas Corporation; Spire Inc.; Vectren Corporation; and WGL Holdings, Inc.

## **COMPENSATION HIGHLIGHTS**

**Compensation Philosophy.** A principal feature of our compensation program is the determination of executive compensation by our Executive Compensation Committee (referred to as the Executive Compensation Committee or the Committee ) based on a comprehensive review of quantitative and qualitative factors designed to reward the accomplishment of long-term sustainable business goals. Our executive compensation program is designed to attract, engage, motivate, reward and retain highly effective key executives who drive our success and who are leaders in the industry, to pay for performance and to align the long-term interests of our executive officers with those of our stakeholders. We believe our program is designed effectively to meet or exceed our financial and operational performance goals, is well aligned with the interests of our stakeholders and is instrumental to achieving our business goals. Our compensation philosophy and related governance features are complemented by several specific elements that are designed to achieve these objectives, as summarized below.

### **Program Design.**

Our compensation program:

provides a competitive total compensation opportunity;

establishes a pay mix that balances short- and long-term performance specifically consisting of significant equity-based (at-risk) compensation;

utilizes separate metrics under our short and long-term incentive award programs to incentivize performance;

**6**      **ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

links a significant portion of total compensation to performance which we believe creates long-term stakeholder value;

determines awards based on the executive officer's contributions performed the right way to achieve business performance;

enhances retention by subjecting a significant portion of total compensation to multi-year vesting requirements;

does not encourage unnecessary or excessive risk taking;

rewards for accomplishing goals as well as for how those goals are accomplished; and

restricts change in control cash benefits to double-trigger vesting.

We provide the following primary elements of compensation for our named executive officers ( NEOs ) (as listed in the Compensation Discussion and Analysis at page 38): base salary, annual short-term cash incentive ( STI ) awards and long-term equity incentive ( LTI ) awards.

The Executive Compensation Committee references the median level of the market when determining all elements of compensation and targets the median level of total compensation.

Our performance-based STI program provides for cash awards based on achievement of financial and operational goals established annually by our Executive Compensation Committee.

We encourage alignment of our NEOs' interests with those of our stakeholders through the grant of LTI awards, of which approximately 80 percent are performance stock units ( PSUs ) and approximately 20 percent are restricted stock units ( RSUs ).

Our NEOs, receive no significant perquisites or other personal benefits.

We do not provide any golden parachute excise tax gross-ups to our NEOs.

The Executive Compensation Committee makes all compensation decisions regarding our NEOs and submits those decisions to the full Board for ratification.

The Executive Compensation Committee is composed solely of persons who qualify as independent directors under the listing standards of the NYSE.

We have market-competitive stock ownership guidelines for our NEOs and our non-management directors which provides them with a significant stake in our long-term success and aligns their interest with stakeholder interests.

We have adopted compensation recovery ( clawback ) provisions that permit the Committee to use appropriate discretion to seek recoupment of grants of PSUs (including any shares earned and the proceeds from any sale of such shares) and STI awards paid to an employee in the event that fraud, negligence or individual misconduct by such employee is determined to be a contributing factor to having to restate all or a portion of our financial statements.

Officers, members of our Board and certain employees designated as insiders under our Securities/Insider Trading Policy are prohibited from engaging in short sale and other derivative or speculative transactions in our securities, and/or from purchasing or using, directly or indirectly through family members or other persons or entities, financial instruments (including puts or calls, prepaid variable forward contracts, equity swaps, collars and exchange funds) that are designed to hedge or offset any decrease in the market value of our securities.

Officers and directors are prohibited from holding our securities in a margin account or pledging our securities as collateral for a loan. The CEO may grant an exception against pledging securities on a limited case-by-case basis. There is no exception to the prohibition against pledging with respect to the CEO.

The Executive Compensation Committee engages an executive compensation consultant who is independent under the Securities and Exchange Commission rules and NYSE listing standards to provide advice and expertise on our executive and director compensation program design and implementation and to lead discussions on trends within our industry.

Our say-on-pay vote in 2017 was 96.8 percent in agreement with our compensation paid to our NEOs. In reviewing our compensation program during 2017, our Executive Compensation Committee determined to continue to apply the same principles as have been historically applied in determining the nature and amount of our executive compensation.

**Table of Contents**

**Link between Executive Compensation and Performance.** The Board awarded Pierce H. Norton II, our President and CEO, incentive compensation for 2017 that was commensurate with our business results and his position as our President and CEO, including annual base pay of \$720,000, an annual STI award of \$837,864, and a LTI award with a grant target value of \$1,500,000. Consistent with our executive compensation philosophy, a significant majority of Mr. Norton's total direct compensation of \$3,057,961 for 2017 was incentive-based and at-risk, as illustrated by the following chart:

The compensation of our other NEOs further reflects both our 2017 performance and our pay-for-performance compensation philosophy:

Named Executive Officer	2017 Base Salary	2017 STI Award	2017 LTI Award *	2017 Total Direct Compensation
Pierce H. Norton	\$720,000	\$838,000	\$1,500,097	\$3,058,097
Curtis L. Dinan	\$435,000	\$400,000	\$399,813	\$1,259,663
Caron A. Lawhorn	\$360,000	\$305,000	\$399,813	\$1,089,663
Robert S. McAnnally	\$350,000	\$320,000	\$350,236	\$1,041,980
Joseph L. McCormick	\$325,000	\$260,000	\$326,247	\$931,500

\* Represents the grant date value approved by the Committee. The values displayed in the Summary Compensation Table represent the accounting value of the PSUs.

Name	2017 Target STI Award as Percentage of Base Pay	2017 Maximum STI Award as a Percentage of Base Pay
Pierce H. Norton II	90%	169%
Curtis L. Dinan	65%	122%
Caron A. Lawhorn	65%	122%
Robert S. McAnnally	65%	122%
Joseph L. McCormick	55%	103%



**Table of Contents**

**CORPORATE RESPONSIBILITY**

For more than 100 years, our business has delivered natural gas to our customers. We will continue to focus on operating safely and responsibly, while creating shareholder value.

**SAFETY AND HEALTH**

The safety of our employees, our customers and the communities where we operate is at the forefront of each business decision we make. By monitoring the integrity of our assets and promoting the safety and health of our employees, customers and communities, we are investing in the long-term sustainability of our businesses.

A substantial part of our workforce is comprised of operations specialists who work regularly in the field. We continuously assess the risks our employees face in their jobs, and we work to mitigate those risks through training, appropriate engineering controls, work procedures and other preventive safety and health programs. Reducing incidents and improving our safety incident rates is important, but we are not focused only on statistics. Low incident rates alone cannot prevent a large-scale incident, which is why we continue to focus on enhancing our preventive safety programs, such as near-miss reporting, vehicle-safety monitoring, risk assessment and others.

**2017 Safety and Health Performance Updates and Highlights**

Since 2013 we have experienced a 59% reduction in our Total Recordable Incident Rate ( TRIR ).

Since 2013 strains and sprains, our most prevalent type of injury, has declined by 69%.

Since 2013 we have experienced a 74% reduction in our Days Away, Restricted & Transferred Incident Rate ( DART ).

Since 2013 we have experienced a 21% reduction in our Preventable Vehicle Incident Rate ( PVIR).

In 2017, we achieved 1<sup>st</sup> quartile performance amongst our American Gas Association peers in all three of our Safety & Health Metrics (TRIR, DART & PVIR) and have had no Preventable Significant Incidents or Fatalities ( SIFs ).

**ENVIRONMENTAL PERFORMANCE**

**2017 Environmental Updates and Highlights**

We retired or replaced approximately 425 miles of distribution and transmission facilities in 2017, including 23 miles of cast iron pipe, which will result in decreased emissions of methane. We have a total of 25 miles of cast iron pipe remaining to be replaced, which we have committed to replace by the end of 2019.

In 2017, our Energy Efficiency Program in Oklahoma and the Austin and Rio Grande Valley Conservation Programs in Texas combined to issue more than 115,300 rebates totaling approximately \$14 million through energy-efficiency and conservation programs that offered customers rebates on natural gas appliances and energy-efficient home improvements.

We continue to be a partner in the Environmental Protection Agency's (EPA) Natural Gas STAR Program and the EPA's Methane Challenge program to voluntarily reduce greenhouse gas emissions. We anticipate reporting in 2018 our 2017 performance to the EPA.

## **COMMUNITY INVESTMENT**

We are committed to being active members of the communities where we operate. Investing in the areas where we have operations and where our employees live and work is not only the right thing to do—it's smart business. By contributing financially and through volunteer work, we can help build stronger communities and create a better environment for our employees, our customers and the general public.

We accomplish this in a number of ways, including grants from the ONE Gas Foundation, corporate sponsorships to nonprofit organizations and community volunteer efforts. Primary focus areas for our community investments are education, health and human services, arts and culture, environmental stewardship and community enrichment. We give priority consideration to educational programs and to health and human services organizations, particularly those with programs that help people become self-sufficient.

### **2017 Community Investment Updates and Highlights**

In 2017, we contributed approximately \$2.7 million to nonprofit organizations through the ONE Gas Foundation and corporate sponsorships, and our employees volunteered more than 8,500 hours in our communities.

**Table of Contents**

**POLITICAL ADVOCACY AND CONTRIBUTIONS**

We actively participate in the political process through the lobbying efforts of our government relations department, involvement in multiple business and industry trade organizations, and through the ONE Gas, Inc. Employee Political Action Committee (the ONE Gas PAC ). In 2017, ONE Gas employees and members of the ONE Gas Board contributed approximately \$76,557 to the ONE Gas PAC. During 2017, the ONE Gas PAC contributed approximately \$38,900 to candidates for political office and other political action committees.

As a company, we do not contribute corporate funds to political candidates, political action committees or so-called 501(c)(4) social welfare organizations. Employee and director contributions to the ONE Gas PAC are used to support candidates seeking federal or state offices who support the interests of the energy industry and business. A steering committee made up of senior management representatives and a contributions committee made up of employees from across our operating areas oversee all ONE Gas PAC contributions to political candidates.

**10**      **ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

Table of Contents

**OUTSTANDING STOCK AND VOTING**

**VOTING**

Only shareholders of record at the close of business on March 26, 2018, are entitled to receive notice of and to vote at the annual meeting. As of that date, 52,469,880 shares of our common stock were outstanding. Each outstanding share entitles the holder to one vote on each matter submitted to a vote of shareholders at the meeting. No other class of our stock is entitled to vote on matters to come before the meeting.

Shareholders of record may vote in person or by proxy at the annual meeting. All properly submitted proxies received prior to the commencement of voting at the annual meeting will be voted in accordance with the voting instructions contained on the proxy. Shares for which signed proxies are properly submitted without voting instructions will be voted:

- (1) **FOR** the election of the three Class I director nominees named in this proxy statement to serve on our Board for a three-year term;
- (2) **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2018;
- (3) **FOR** the advisory proposal to approve our executive compensation;
- (4) **FOR** the approval of the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018); and
- (5) **FOR** the approval of the amended and restated Certificate of Incorporation to eliminate the classified structure of our Board, provide for the annual election of directors, and allow shareholder removal of directors with or without cause.

While we know of no other matters that are likely to be brought before the meeting, in the event any other business properly comes before the meeting, proxies will be voted in the discretion of the persons named in the proxy. The persons named as proxies were designated by our Board.

To vote shares held in street name through a bank, broker or other holder of record, a shareholder must provide voting instructions to his or her bank, broker or other holder of record. Brokerage firms, banks and other holders of record are required to request voting instructions for shares they hold on behalf of their customers and others. We encourage you to provide instructions to your bank, broker or other holder of record on how to vote your shares. If your shares are held in street name, to be able to vote those shares in person at the annual meeting, you must obtain a legal proxy, executed in your favor, from the holder of record of those shares as of the close of business on March 26, 2018.

The rules of the NYSE determine whether proposals presented at shareholder meetings are routine or non-routine. If a proposal is routine, a broker or other entity holding shares for an owner in street name may vote for the proposal without receiving voting instructions from the owner under certain circumstances. If a proposal is non-routine, the broker or other entity may vote on the proposal only if the owner has provided voting instructions. A broker non-vote occurs when the broker or other entity is unable to vote on a proposal because the proposal is non-routine and the owner does not provide any voting instructions. Under the rules of the NYSE, Proposals 1, 3, 4 and 5 are considered to be non-routine, and Proposal 2 is considered to be routine. Accordingly, if you do not provide voting instructions to your brokerage firm or other entity holding your shares, your brokerage firm or other entity holding your shares will not be permitted under the rules of the NYSE to vote your shares on Proposals 1, 3, 4 and 5 and will be permitted under the rules of the NYSE to vote your shares on Proposal 2 at its discretion.

**Please provide your voting instructions to your broker, bank or other holder of record so that your shares may be voted.**

Representatives of our stock transfer agent, EQ Shareholder Services, a division of Equiniti Trust Company, will be responsible for tabulating and certifying the votes cast at the annual meeting.

## **QUORUM**

The holders of a majority of the shares entitled to vote at the annual meeting, present in person or by proxy, constitute a quorum for the transaction of business at the annual meeting. In determining whether we have a quorum, we count abstentions and broker non-votes as present.

If a quorum is not present at the scheduled time of the meeting, the shareholders who are present in person or by proxy may adjourn the meeting until a quorum is present. If the time and place of the adjourned meeting are announced at the time the adjournment is taken, no other notice will be given. However, if the adjournment is for more than 30 days, or if a new record date is set for the adjourned meeting, a notice will be given to each shareholder entitled to receive notice of, and to vote at, the meeting.

## **MATTERS TO BE VOTED UPON**

At the annual meeting, the following matters will be voted upon:

- (1) the election of three Class I nominees for director named in this proxy statement to serve a three-year term;
- (2) the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2018;

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**Table of Contents**

- (3) to consider and vote on our executive compensation on a non-binding, advisory basis;
- (4) to consider and vote on the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018);
- (5) to consider and vote on the amendment and restatement our of Certificate of Incorporation to eliminate the classified structure of our Board, provide for the annual election of directors, and allow shareholder removal of directors with or without cause; and
- (6) such other business as may properly come before the meeting, or any adjournment or postponement of the meeting.

**VOTES REQUIRED**

**Proposal 1 Election of three Class I Directors.** Our bylaws provide for majority voting for directors in uncontested elections. We expect that the election of directors at our 2018 annual meeting will be uncontested. Under the majority voting standard, to be elected a nominee must receive a number of For votes that exceeds 50 percent of the votes cast with respect to that director's election. Abstentions and broker non-votes, if any, do not count as votes cast with respect to the election of directors.

Our corporate governance guidelines require that if an uncontested nominee for director does not receive more For than Against votes, he or she must promptly tender his or her resignation to our Board. The Board (excluding the director who tendered the resignation) will then evaluate the resignation in light of the best interests of our company and our shareholders in determining whether to accept or reject the resignation, or whether other action should be taken. The Board will announce publicly its decision regarding any tendered resignation.

**Proposal 2 Ratification of Selection of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for the Year ending December 31, 2018.** In accordance with our bylaws, approval of this proposal requires the affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on this proposal at the meeting. Abstentions will have the same effect as votes against this proposal.

**Proposal 3 Advisory Vote on Executive Compensation.** In accordance with our bylaws, approval of the proposal to approve our executive compensation requires the affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on this proposal at the meeting. Abstentions will have the same effect as votes against this proposal and broker non-votes do not count as entitled to vote for purposes of determining the outcome of the vote on this proposal. The vote on this proposal is advisory and non-binding on the company and our Board.

**Proposal 4 Approval of the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018).** In accordance with our bylaws, approval of the proposal to amend and restate the ONE Gas, Inc. Equity Compensation Plan requires the affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on this proposal at the meeting. Abstentions will have the same effect as votes against this proposal and broker non-votes do not count as votes cast and have no effect on the vote for purposes of determining the outcome of the vote on this proposal.

**Proposal 5 Approval of the amended and restated Certificate of Incorporation to eliminate the classified structure of our Board, provide for the annual election of directors and allow shareholder removal of directors**

**with or without cause.** In accordance with our Certificate of Incorporation, approval of the proposal to amend and restate our Certificate of Incorporation to eliminate the classified structure of our Board, provide for the annual election of directors and allow shareholder removal of directors with or without cause requires the affirmative vote of at least eighty percent (80%) of the shares of our common stock outstanding as of the record date. Abstentions, the failure of a shareholder to vote, and broker non-votes will have the effect of a vote against the proposal.

### **REVOKING A PROXY**

Any shareholder may revoke his or her proxy at any time before it is voted at the meeting by (1) notifying our corporate secretary in writing (the mailing address of our corporate secretary is Corporate Secretary, ONE Gas, Inc., 15 East Fifth Street, Tulsa, Oklahoma 74103), (2) authorizing a later proxy via the Internet or by telephone, (3) returning a later dated proxy card, or (4) voting at the meeting in person. A shareholder's presence without voting at the annual meeting will not automatically revoke a previously delivered proxy and any revocation during the meeting will not affect votes previously taken.

If your shares are held in a brokerage account or by a bank or other holder of record, you may revoke any voting instructions you may have previously provided in accordance with the revocation instructions provided by the broker, bank or other holder of record.

### **PROXY SOLICITATION**

Solicitation of proxies will be primarily by mail and telephone. We have engaged Morrow Sodali LLC, 470 West Avenue, Stamford, Connecticut 06902, to solicit proxies for a fee of \$11,000 plus out-of-pocket expenses. In addition, certain of our officers, directors and employees may solicit proxies on our behalf in person or by mail, telephone, fax or email, for which such persons will receive no additional compensation. We will pay all costs of soliciting proxies. We will also reimburse brokerage firms, banks and other custodians, nominees and fiduciaries for their reasonable expenses for forwarding proxy materials to our shareholders.

**Table of Contents**

**GOVERNANCE OF THE COMPANY**

Our Board and management are committed to maintaining strong corporate governance practices that allocate rights and responsibilities among our Board, management and our stakeholders in a manner that benefits the long-term interests of our stakeholders. Our corporate governance practices are designed not just to satisfy regulatory and stock exchange requirements but also to provide for effective oversight and management of our company.

Our Corporate Governance Committee engages in a regular process of reviewing our corporate governance practices, including comparing our practices with those recommended by various corporate governance authorities, the expectations of our stakeholders and the practices of other leading public companies. Our Corporate Governance Committee also regularly reviews our corporate governance practices in light of proposed and adopted laws and regulations, including the rules of the Securities and Exchange Commission and the rules and listing standards of the NYSE.

**CORPORATE GOVERNANCE GUIDELINES**

Our Board has adopted corporate governance guidelines that address key areas of our corporate governance, including: director qualification standards, including the requirement that a majority of our directors be independent under the applicable independence requirements of the NYSE; director responsibilities; director access to management; director compensation; management succession; evaluation of the performance of our Board; and the structure and operation of our Board. Our Board periodically reviews our corporate governance guidelines and may revise the guidelines from time to time as conditions warrant. The full text of our corporate governance guidelines is published on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from our corporate secretary upon request.

**CODE OF BUSINESS CONDUCT AND ETHICS**

Our Board has adopted a code of business conduct and ethics that applies to our directors, officers (including our principal executive and financial officers, controller and other persons performing similar functions) and all other employees. We require all directors, officers and employees to adhere to our code of business conduct and ethics in addressing the legal and ethical issues encountered in conducting their work for our company. Our code of business conduct and ethics requires that our directors, officers and employees avoid conflicts of interest, comply with all applicable laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in our company's best interests. All directors, officers and employees are required to report any conduct that they believe to be an actual or apparent violation of our code of business conduct and ethics.

The full text of our code of business conduct and ethics is published on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from our corporate secretary upon request. We intend to disclose on our website any future amendments to, or waivers from, our code of business conduct and ethics, as required by the rules of the Securities and Exchange Commission and the NYSE.

**DIRECTOR INDEPENDENCE**



Our corporate governance guidelines provide that a majority of our Board of Directors will be independent under the applicable independence requirements of the NYSE. These guidelines and the rules of the NYSE provide that, in qualifying a director as independent, the Board must make an affirmative determination that the director has no material relationship with our company, either directly or as a partner, shareholder or officer of an organization that has a relationship with our company. In making this determination with respect to each director serving on the Executive Compensation Committee, under the rules of the NYSE, the Board is required to consider all factors specifically relevant to determine whether the director has a relationship to our company which is material to that director's ability to be independent from management in connection with the duties of a member of that committee.

Our Board of Directors has also adopted director independence guidelines that specify the types of relationships the Board has determined to be categorically immaterial. Directors who meet these standards are considered to be independent. The full text of our director independence guidelines is published on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from our corporate secretary upon request.

Our Board has determined affirmatively that members Robert E. Evans, Michael G. Hutchinson, Pattye L. Moore, Eduardo A. Rodriguez and Douglas H. Yaeger have no material relationship with our company, and each qualifies as independent under our corporate governance guidelines, our director independence guidelines and the rules of the NYSE. In determining whether certain of our directors qualify as independent under our director independence guidelines, our Board considered the receipt by certain directors or their immediate family members (or entities of which they are members, directors, partners, executive officers, or counsel) of natural gas service from us at regulated rates on terms generally available to all of our customers (and, in the case of an entity, in an amount that is less than the greater of \$1 million or 2 percent of the entity's gross revenue for its last fiscal year). In each case, the Board determined these relationships to be in the ordinary course of business at regulated rates or on substantially the same terms available to non-affiliated third parties and to be immaterial in amounts to both our company and the director.

**Table of Contents**

**BOARD LEADERSHIP STRUCTURE**

During 2017, our Board was led by John W. Gibson, who was the Chairman of the Board, and Eduardo A. Rodriguez, who was both our lead independent director and the chair of the Corporate Governance Committee. In addition, our Audit Committee and Executive Compensation Committee are each led by a chair and vice chair, each of whom is an independent director.

**LEAD INDEPENDENT DIRECTOR**

Our corporate governance guidelines vest the lead independent director who, under these guidelines, is also chair of our Corporate Governance Committee, with various key responsibilities. The guidelines provide that the lead independent director shall serve for a term of three to five years as determined by the Board, and that the duties of the lead independent director include but are not limited to:

presiding as the chair at all meetings of the Board at which the Chairman of the Board is not present;

presiding at all executive sessions of the independent directors;

serving as liaison between the Chairman of the Board and the independent directors;

approving information sent to the Board;

approving meeting agendas for the Board; and

approving meeting schedules to assure that there is sufficient time for discussion of all agenda items.

In addition, the lead independent director has the authority to call meetings of the independent directors and, if requested by major shareholders, will be reasonably available for consultation and direct communication with such shareholders. The Lead Independent Director may also perform duties otherwise assigned to the Chairman of the Board, as set forth above, when the offices of the Chairman of the Board and the CEO are combined.

**SUCCESSION PLANNING**

A key responsibility of the CEO and the Board is ensuring that an effective process is in place to provide continuity of leadership over the long term at all levels in our company. Each year, succession-planning reviews are held at every significant organizational level of the company, culminating in a full review of senior leadership talent by our independent directors. During this review, the CEO, the Chairman of the Board and the independent directors discuss future candidates for senior leadership positions, succession timing for those positions and development plans for the highest-potential candidates. This process ensures continuity of leadership over the long term, and it forms the basis on which our company makes ongoing leadership assignments. It is a key success factor in managing the long-term planning and investment lead times of our business.

In addition, the CEO maintains in place at all times, and reviews with the non-management directors, a confidential plan for the timely and efficient transfer of responsibilities in the event of an emergency or sudden incapacitation or departure of the CEO.

## **OUR BOARD AND CORPORATE STRATEGY**

Our Board is actively involved in overseeing, reviewing and guiding our corporate strategy. Our Board formally reviews our company's business strategy, including the risks and opportunities facing our company and its business, at an annual strategic planning session. Our Board regularly discusses corporate strategy throughout the year with management formally as well as informally and during executive sessions of the Board as appropriate. As discussed in **Risk Oversight** below, our Board views risk management and oversight as an integral part of our strategic planning process, including mapping key risks to our corporate strategy and seeking to manage and mitigate risk. Our Board also views its own composition as a critical component to effective strategic oversight. Accordingly, our Board and relevant Board committees consider our business strategy and the company's regulatory, geographic and market environments when assessing board composition, director succession, executive compensation and other matters of importance.

## **SHAREHOLDER ENGAGEMENT**

Our Board believes that accountability to shareholders is a mark of good corporate governance and that regular shareholder engagement is important to our company's success. Our company frequently engages with shareholders on a variety of topics, with particular focus on matters relating to our company's publicly disclosed strategy and financial performance. Our company also engages with shareholders to discuss matters relating to governance, compensation, safety, environmental and other current and emerging issues that the Board and our management understand are important to our shareholders. In addition to this direct engagement, our company also maintains a number of complementary mechanisms that allow our shareholders to effectively communicate to our Board, including:

maintaining an investor relations page on our website;

regularly presenting at investor conferences;

**Table of Contents**

conducting an annual advisory vote to approve executive compensation;

if requested by major shareholders, ensuring the lead independent director is available for consultation and direct communication;

permitting shareholders to submit prospective candidates for nomination by our Board for election at the annual meeting of shareholders in accordance with our corporate governance guidelines and bylaws;

permitting shareholders to nominate candidates for election at the annual meeting of shareholders in accordance with our bylaws; and

providing shareholders the ability to attend and voice opinions at the annual meeting of shareholders.

**RISK OVERSIGHT**

We have integrated a comprehensive Enterprise Risk Management (ERM) process as part of strategy setting and driving performance throughout the organization, which includes identifying, aggregating, monitoring, measuring, assessing and managing risks that could affect our ability to fulfill our business objectives or execute our corporate strategy. These risks generally relate to strategic, operational, financial, regulatory compliance and human resources issues. Our ERM approach is overseen by our Chief Financial Officer and is designed to enable our Board to establish a mutual understanding with management of the effectiveness of our risk-management practices and capabilities, to review our risk exposure and to elevate certain key risks for discussion at the Board level. Management and our Board believe that risk management is an integral part of our annual strategic planning process, which addresses, among other things, the risks and opportunities facing our company.

Not all risks can be dealt with in the same way. Some risks may be easily perceived and controllable, and other risks are unknown; some risks can be avoided or mitigated by particular behavior, and some risks are unavoidable as a practical matter. For some risks, the potential adverse impact would be minor and, as a matter of business judgment, it may not be appropriate to allocate significant resources to avoid the adverse impact. In other cases, the adverse impact could be significant, and it is prudent to expend resources to seek to avoid or mitigate the potential adverse impact. In some cases, a higher degree of risk may be acceptable because of a greater perceived potential for reward. Management is responsible for identifying risks and controls related to our significant business activities; mapping the risks to our corporate strategy; and developing programs and recommendations to determine the sufficiency of risk identification, the balance of potential risk to potential reward and the appropriate manner in which to control and mitigate risk.

The Board implements its risk oversight responsibilities by having management provide periodic briefing and informational sessions on the significant voluntary and involuntary risks that our company faces and how our company is seeking to control and mitigate those risks. In some cases, as with risks relating to significant acquisitions, risk oversight is addressed as part of the full Board's engagement with the CEO and management.

The Board annually reviews a management assessment of the various operational and regulatory risks facing our company, their relative magnitude and management's plan for mitigating these risks. The Board also reviews risks related to our company's business strategy at its annual strategic planning meeting and at other meetings as appropriate.

In certain cases, a Board committee is responsible for oversight of specific risk topics. For example, the Audit Committee oversees risk issues associated with our overall financial reporting and disclosure process and legal compliance, as well as reviewing policies and procedures on risk-control assessment and accounting risk exposure, including our companywide risk control activities. The Audit Committee meets with our executive officers and meets with our Director Audit Services, as well as with our independent registered public accounting firm, in separate executive sessions at each of its in-person meetings during the year, at which time risk issues are discussed regularly.

In addition, our Executive Compensation Committee oversees risks related to our compensation program, as discussed in greater detail elsewhere in this proxy statement, and our Corporate Governance Committee oversees risks related to our governance practices and policies.

## **BOARD AND COMMITTEE MEMBERSHIP**

Our business, property and affairs are managed under the direction of our Board. Members of our Board are kept informed of our business through discussions with our CEO and other officers, by reviewing materials provided to them periodically and in connection with Board and committee meetings, and by participating in meetings of the Board and its committees.

During 2017, the Board held seven regular meetings (four in-person and three telephonic meetings) and no special meetings. All of our incumbent directors who served on the Board during 2017 attended all of the meetings of the Board and Board committees on which they served.

Our corporate governance guidelines provide that members of our Board are expected to attend our Annual Meeting of Shareholders. All members of the Board attended the 2017 Annual Meeting of Shareholders.

The Board has four standing committees: the Audit Committee, the Executive Compensation Committee, the Corporate Governance Committee and the Executive Committee. The table below provides the current membership of our Board and each of our Board committees. Our Board has

**Table of Contents**

determined affirmatively that each member of our Audit Committee, Executive Compensation Committee and Corporate Governance Committee is independent under our corporate governance guidelines, our director independence guidelines and the rules of the NYSE.

Director	Audit	Executive Compensation	Corporate Governance	Executive
John W. Gibson, Chairman				Chair
Pierce H. Norton II				Member
Robert B. Evans	Vice Chair	Member	Member	
Michael G. Hutchinson	Chair	Member	Vice Chair	Member
Patty L. Moore	Member	Chair	Member	Member
Eduardo A. Rodriguez	Member	Member	Chair	Member
Douglas H. Yaeger	Member	Vice Chair	Member	

Our Board has adopted written charters for each of its Audit, Executive Compensation, Corporate Governance and Executive Committees. Copies of the charters of each of these committees are available on and may be printed from our website at <http://www.onegas.com/en/About/Governance/CommitteesCharters.aspx>. Copies are also available from our corporate secretary upon request. The responsibilities of our Board committees are summarized below. From time to time the Board, in its discretion, may form other committees.

## THE AUDIT COMMITTEE

2017 Meetings: 6

The Audit Committee represents and assists our Board with oversight of the integrity of our financial statements and internal controls, our compliance with legal and regulatory requirements, the independence, qualifications and performance of our independent registered public accounting firm and the performance of our internal audit function. The responsibilities of the Audit Committee include:

appointing, compensating and overseeing our independent auditor;

reviewing the scope, plans and results relating to the external audits of our financial statements;

reviewing the scope, plans and results relating to internal audits;

monitoring and evaluating our financial condition;

monitoring and evaluating the integrity of our financial reporting processes and procedures;

assessing our significant financial risks and exposures and evaluating the adequacy of our internal controls in connection with such risks and exposures, including, but not limited to, internal controls over financial reporting and disclosure controls and procedures;

reviewing policies and procedures on risk-control assessment and accounting risk exposure, including our companywide risk control activities; and

monitoring our compliance with our policies on ethical business conduct.

Our independent registered public accounting firm reports directly to our Audit Committee. All members of our Audit Committee are independent under the independence requirements of the NYSE and the Securities and Exchange Commission applicable to audit committee members. The Board has determined that Robert E. Evans, Michael G. Hutchinson, Eduardo A. Rodriguez and Douglas H. Yaeger are each an audit committee financial expert under the applicable rules of the Securities and Exchange Commission and all members of the Audit Committee are financially literate. No member of our Audit Committee serves on the audit committees of more than three other public companies.

**16**      **ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement



**Table of Contents**

**THE EXECUTIVE  
COMPENSATION  
COMMITTEE**

2017 Meetings: 4

Our Executive Compensation Committee is responsible for establishing and periodically reviewing our executive compensation policies and practices. This responsibility includes:

evaluating, in consultation with our Corporate Governance Committee, the performance of our CEO, and recommending to our Board the compensation of our CEO and our other senior executive officers;

reviewing and approving, in consultation with our Corporate Governance Committee, the annual objectives of our CEO;

reviewing our executive compensation program to ensure the attraction, retention and appropriate compensation of executive officers in order to motivate their performance in the achievement of our business objectives and to align their interests with the long-term interests of our stakeholders;

assessing the risks associated with our compensation program;

approving, subject to ratification by the full Board, executive officer compensation and personnel policies, programs and plans; and

reviewing and making recommendations to the full Board on director compensation.

Our Executive Compensation Committee meets periodically during the year to review our executive and director compensation policies and practices. Executive officer salaries and STI and LTI compensation are determined annually by the Committee. The scope of the authority of the Committee is not limited except as set forth in its charter and by applicable law. The Committee has the authority to delegate duties to subcommittees of the Committee, or to other standing committees of the Board, as it deems necessary or appropriate. The Committee may not delegate to a subcommittee any authority required by any law, regulation or listing standard to be exercised by the Committee as a whole. All members of our Executive Compensation Committee are

independent under the independence requirements of the NYSE applicable to compensation committee members.

The compensation group in our corporate human resources department supports, in consultation with our CEO, the Executive Compensation Committee in its work.

During 2017, the Executive Compensation Committee engaged Meridian Compensation Partners, LLC ( Meridian ), as an independent executive compensation consultant to assist the Committee in its evaluation of the amount and form of compensation paid in 2017 to our CEO, our other executive officers and our directors. Meridian reported directly to the Executive Compensation Committee. For more information on executive compensation and the role of this consultant, see Compensation Discussion and Analysis How We Determine Pay Role of the Independent Executive Compensation Consultant at page 37.

**THE CORPORATE  
GOVERNANCE  
COMMITTEE**

**2017 Meetings: 4**

Our Corporate Governance Committee is responsible for overseeing our company's governance, including the selection of directors and the Board's practices and effectiveness. These responsibilities include:

identifying and recommending qualified director candidates, including qualified director candidates suggested by our shareholders in written submissions to our corporate secretary in accordance with our corporate governance guidelines and our bylaws or in accordance with the rules of the Securities and Exchange Commission;

making recommendations to the Board with respect to electing directors and filling vacancies on the Board;

adopting an effective process for director selection and tenure by making recommendations on the Board's organization and practices and by aiding in identifying and recruiting director candidates;

reviewing and making recommendations to the Board with respect to the organization, structure, size, composition and operation of the Board and its committees;

in consultation with our Chairman of the Board and CEO and the Executive Compensation Committee, overseeing management succession and development; and

reviewing, assessing risk and making recommendations with respect to other corporate governance matters.

All members of the Corporate Governance Committee are independent under the independence requirements of the NYSE.

**Table of Contents****THE EXECUTIVE COMMITTEE****2017 Meetings: 0**

In the intervals between meetings of our Board, the Executive Committee may, except as otherwise provided in our bylaws and applicable law, exercise the powers and authority of the full Board in the management of our property, affairs and business. The function of this committee is to act on major matters where it deems action appropriate, providing a degree of flexibility and ability to respond to time-sensitive business and legal matters without calling a special meeting of our full Board. The Executive Committee reports to the Board at its next meeting on any actions taken by the committee.

**DIRECTOR NOMINATIONS**

Our corporate governance guidelines provide that the Board is responsible for nominating candidates for Board membership and for the delegation of the screening process to the Corporate Governance Committee of the Board. This committee, with recommendations and input from our Chairman of the Board, CEO and the directors, evaluates the qualifications of each director candidate and assesses the appropriate mix of skills, qualifications and characteristics required of Board members in the context of the perceived needs of the Board at a given point in time. The Corporate Governance Committee is responsible for recommending to the full Board candidates for nomination by the Board for election as members of our Board.

Our corporate governance guidelines provide that candidates for nomination by the Board must be committed to devote the time and effort necessary to be productive members of the Board and that, in nominating candidates, the Board will endeavor to establish director diversity in personal background, race, gender, age and nationality. The guidelines also provide that the Board will seek to maintain a mix that includes, but is not limited to, the following areas of core competency: accounting and finance; investment banking; business judgment; management; industry knowledge; crisis response; international business; leadership; strategic vision; law; and corporate relations.

The Corporate Governance Committee's charter provides that it has the responsibility, in consultation with the Chairman of the Board and CEO, to search for, recruit, screen, interview and recommend to the Board candidates for the position of director as necessary to fill vacancies on the Board or the additional needs of the Board and to consider management and shareholder recommendations for candidates for nomination by the Board. In carrying out this responsibility, the Corporate Governance Committee evaluates the qualifications and performance of incumbent directors and determines whether to recommend them for re-election to the Board. In addition, this committee determines, as necessary, the portfolio of skills, experience, diversity, perspective and background required for the effective functioning of the Board considering our business strategy and our regulatory, geographic and market environments.

Our corporate governance guidelines contain a policy regarding the Corporate Governance Committee's consideration of prospective director candidates recommended by shareholders for nomination by our Board. Under this policy, and in accordance with our bylaws, any shareholder who wishes to recommend a prospective candidate for nomination by our Board for election at our 2019 annual meeting should send a letter of recommendation to our corporate secretary at our principal executive offices by no later than December 5, 2018. The letter should include the name, address and number of shares owned by the recommending shareholder (including, if the recommending shareholder is not a

shareholder of record, proof of ownership of the type referred to in Rule 14a-8(b)(2) of the proxy rules of the Securities and Exchange Commission), the prospective candidate's name and address, a description of the prospective candidate's background, qualifications and relationships, if any, with our company and all other information necessary for our Board to determine whether the prospective candidate meets the independence standards under the rules of the NYSE and our director independence guidelines. A signed statement from the prospective candidate should accompany the letter of recommendation indicating that he or she consents to being considered as a nominee of the Board and that, if nominated by the Board and elected by the shareholders, he or she will serve as a director. The Corporate Governance Committee will evaluate prospective candidates recommended by shareholders for nomination by our Board in light of the various factors set forth above.

Neither the Corporate Governance Committee, the Board, nor our company itself discriminates in any way against prospective candidates for nomination by the Board on the basis of age, sex, race, religion, or other personal characteristics. There are no differences in the manner in which the Corporate Governance Committee or the Board evaluates prospective candidates based on whether the prospective candidate is recommended by a shareholder or by the Corporate Governance Committee, provided that the recommending shareholder furnishes to our company a letter of recommendation containing the information described above along with the signed statement of the prospective candidate referred to above.

In addition to having the ability to recommend prospective candidates for nomination by our Board, under our bylaws, shareholders may themselves nominate candidates for election at an annual meeting of shareholders. Any shareholder who desires to nominate candidates for election as directors at our 2019 annual meeting must follow the procedures set forth in our bylaws. Under these procedures, notice of a shareholder nomination for the election of a director must be received by our corporate secretary at our principal executive offices not less than 120 calendar days before the first anniversary of the date that our proxy statement was released to shareholders in connection with our 2018 Annual Meeting of Shareholders (i.e., notice must be received no later than December 5, 2018). If the date of the 2019 annual meeting is more than 30 days from the first anniversary date of the 2018 meeting, our corporate secretary must receive notice of a shareholder nomination by the close of business on the tenth day following the earlier of (i) the day on which notice of the date of the meeting is mailed to shareholders or (ii) the day on which public announcement of the meeting date is made. In accordance with our bylaws, a shareholder notice must contain certain information about the candidate the shareholder desires to nominate for election as a director, including: (a) the name, age, business address and

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**Table of Contents**

residence address of such person; (b) the principal occupation or employment of such person; (c) the class or series and number of our shares that are owned beneficially or of record by such person and any affiliates or associates of such person; (d) the name of each nominee holder of our shares owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of our shares held by each such nominee holder; (e) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to our shares; (f) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of our shares) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to our shares; (g) such person's written and executed representation and agreement (in the form provided by the corporate secretary upon written request) that such person (1) is not and will not become a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the company, will act or vote on any issue or question, (2) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director of the company that has not been disclosed to the company in such representation and agreement and (3) in such person's individual capacity, would be in compliance, if elected as a director of the company, and, if elected as a director, will comply with, all applicable publicly disclosed confidentiality, corporate governance, conflict of interest, Regulation FD, code of conduct and ethics, and stock ownership and trading policies and guidelines of the company; (h) such person's completed written questionnaire with respect to the background and qualification of such individual and the background of any other person or entity on whose behalf, directly or indirectly, the nomination is being made (which form of questionnaire shall be promptly provided by the corporate secretary to the requesting shareholder upon written request) and (i) all other information relating to such person that would be required to be disclosed in connection with a solicitation of proxies for the election of such person as a director, or would be otherwise required to be disclosed in connection with such solicitation, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected).

In addition, as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made, the notice must set forth: (a) the name and address, as they appear on the company's books, of such shareholder, and the name and address of such beneficial owner, if any, and any other shareholders known by such shareholder to be supporting such nominee(s); (b) the class and number of our shares that are owned beneficially and of record by such person and any affiliates or associates of such person; (c) the name of each nominee holder of our shares owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares held by each such nominee holder; (d) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to our shares; (e) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of our shares) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to our shares; (f) a representation that the shareholder giving notice intends to appear in person or by proxy at the annual meeting or special meeting to nominate the persons named in its notice; (g) a description of all agreements, arrangements and understandings between such person or any affiliate or associate of such person, and any other

person or persons (including their names) in connection with the nomination by such shareholder; and (h) all other information that would be required to be disclosed by such person as a participant in a solicitation of proxies for the election of directors in a contested election, or would be otherwise required to be disclosed in connection with such solicitation, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. This information must be supplemented by such shareholder and beneficial owner, if any, not later than ten (10) days after the record date for the meeting to disclose all such information as of the record date.

At the request of the company, each proposed nominee must submit to the corporate secretary such other information as the company may reasonably require, including such information as may be necessary or appropriate in determining the eligibility of such proposed nominee to serve as an independent director of the company or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

## **DIRECTOR COMPENSATION**

The Executive Compensation Committee's independent compensation consultant, Meridian, annually advises the Executive Compensation Committee on matters related to non-management director compensation including competitive market data for the company's peer group. The Executive Compensation Committee reviews and discusses the director compensation information provided by Meridian and makes a recommendation to the full Board with respect to non-management director compensation. The Executive Compensation Committee's philosophy with respect to non-management director compensation is to target at or below the market median. The components of non-management director compensation include an annual cash retainer, additional annual cash retainer for the Chairman of the Board, the chairs of the Audit, Executive Compensation and Corporate Governance Committees and an annual stock retainer. No separate per meeting fees are paid to the non-management directors.

**Table of Contents**

For 2017, the Committee recommended, and the full Board approved, that compensation paid to each of our non-management directors remain the same as 2016. Compensation for each of our non-management directors for their service on our Board is paid on an annual meeting date basis. For the period of May 26, 2016, through May 24, 2017, and for the period of May 25, 2017, through May 23, 2018, compensation consisted of an annual cash retainer of \$70,000 and a stock retainer valued at \$90,000. The chairs of our Audit and Executive Compensation Committees received an additional annual cash retainer of \$15,000, and our lead independent director, who is also chair of our Corporate Governance Committee, received an additional annual cash retainer of \$25,000. Our Chairman of the Board received an additional annual cash retainer of \$75,000 for his service.

Based on the market information provided by Meridian in December 2017 indicating that our non-management director compensation was significantly below market median compared to our peers, coupled with the decision of the Executive Compensation Committee to consider non-management director compensation on a three-year basis, the Executive Compensation Committee recommended and the full Board approved non-management director compensation on a three-year cycle, beginning on the day of the annual meeting of shareholders in 2018 (May 24, 2018) through the day before the annual meeting of shareholders the following year (May 22, 2019), consisting of a \$15,000 increase in the annual cash retainer, a \$20,000 increase in the stock retainer, a \$5,000 increase in the cash retainer for the chair of the Corporate Governance Committee/lead independent director and a \$10,000 increase in the cash retainer for the Chairman of the Board. Non-management director compensation will next be considered in 2020.

All directors are reimbursed for reasonable expenses incurred in connection with attendance at Board and committee meetings.

The CEO, as the sole management director, receives no compensation for his service as a director.

Our Board has established minimum share ownership guidelines for members of our Board. The guidelines provide that within five years after joining the Board, each non-management director will own shares of the company's common stock having a value, at a minimum, of five times the annual cash retainer for service on the Board (excluding annual retainers for service as a chair of a Board committee or for service as Chairman of the Board) as established from time to time by the Board. Shares that count toward this ownership guideline include shares owned outright in the director's name, shares held in trust for the director's benefit or the benefit of the director's immediate family, and phantom shares held in the director's account under any company deferred compensation plan for non-employee directors or any similar plan or arrangement. Shares that do not count toward this ownership guideline include unexercised stock options and shares of restricted stock for which restrictions have not yet lapsed (unvested restricted stock). A non-management director will not be allowed to sell shares of the company's common stock (using established pre-clearance procedures) unless such director's holdings of the company's common stock meet the established minimum ownership guideline. Because we became a stand-alone, publicly traded company on January 31, 2014, under the guidelines our directors have five years from this date to satisfy individual share ownership requirements. However, all current directors have satisfied the minimum share ownership guidelines.

The following table sets forth the compensation paid to our non-management directors in 2017:

**Director Compensation for 2017**

<b>Director</b>	<b>Fees Earned or Paid in</b>	<b>Stock Awards (1)(2)(3)</b>	<b>Nonqualified Deferred Compensation</b>	<b>All Other Compensation<sup>(5)</sup></b>	<b>Total</b>
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	Cash <sup>(1)</sup>		Earnings <sup>(4)</sup>		
Robert B. Evans	\$ 70,000	\$ 90,000	\$ -	\$ -	\$ 160,000
John W. Gibson	\$ 145,000	\$ 90,000	\$3,688	\$20,000	\$ 258,688
Michael G. Hutchinson	\$ 85,000	\$ 90,000	\$ -	\$ -	\$ 175,000
Pattye L. Moore	\$ 85,000	\$ 90,000	\$ -	\$ -	\$ 175,000
Eduardo A. Rodriguez	\$ 95,000	\$ 90,000	\$ -	\$ 2,000	\$ 187,000
Douglas H. Yaeger	\$ 70,000	\$ 90,000	\$ -	\$10,000	\$ 170,000

(1) Non-management directors may defer all or a part of their annual cash and stock retainers under our Deferred Compensation Plan for Non-Employee Directors. During the year ended December 31, 2017, \$189,000 of the total amount payable for directors' fees were deferred under this plan at the election of three of our directors. Deferred amounts are treated, at the election of the participating director, either as phantom stock or as a cash deferral. Phantom stock deferrals are treated as though the deferred amount is invested in our common stock at the fair market value on the date the deferred amount was earned. Phantom stock earns the equivalent of dividends declared on our common stock, reinvested in phantom shares of our common stock based on the closing price of our common stock on the payment date of each common stock dividend. The shares of our common stock reflected in a non-management director's phantom stock account are issued to the director under our Equity Compensation Plan on the last day of

the director's service as a director or a later date selected by the director. Cash deferrals earn interest at a rate equal to Moody's Bond Indices Corporate AAA on the first business day of the plan year, plus 100 basis points, which, at January 3, 2017, was 4.94 percent. The following table sets forth, for each non-management director, the amount of director compensation deferred during 2017 and cumulative deferred compensation as of December 31, 2017.

**20**      **ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

Director	Board Fees Deferred to Phantom Stock in 2017 (a)	Dividends Earned on Phantom Stock and Reinvested in 2017 (b)	Total Board Fees Deferred to Phantom Stock at December 31, 2017 (a)	Total Shares of Phantom Stock Held at December 31, 2017	Board Fees Deferred to Cash in 2017 (c)	Total Board Fees Deferred to Cash at December 31, 2017 (c)
Robert B. Evans	\$ -	\$ -	\$ -	-	\$ -	\$ -
John W. Gibson	\$90,000	\$13,213	\$412,893	8,620	\$145,000	\$701,020
Michael G. Hutchinson	\$ -	\$ -	\$ -	-	\$ -	\$ -
Pattye L. Moore	\$90,000	\$13,213	\$412,893	30,660	\$ -	\$ -
Eduardo A. Rodriguez	\$ 9,000	\$ 370	\$ 18,479	926	\$ -	\$ -
Douglas H. Yaeger	\$ -	\$ -	\$ -	-	\$ -	\$ -

(a) Reflects the value of the annual cash and stock retainers (based on the average of our high and low stock price on the NYSE on the grant date) deferred to phantom stock by a director under our Deferred Compensation Plan for Non-Employee Directors.

(b) Dividend equivalents paid on phantom stock are reinvested in additional shares of phantom stock based on the closing price of our common stock on the NYSE on the date the dividend equivalent was paid.

(c) Mr. Gibson deferred board fees in the amount of \$145,000 to cash in 2017. The total amount deferred to cash reflects the balance in Mr. Gibson's cash deferral account. Cash deferrals earn interest at a rate equal to Moody's Bond Indices Corporate AAA on the first business day of the plan year, plus 100 basis points which, at January 3, 2017, was 4.94 percent.

(2) The amounts in this column reflect the aggregate grant date fair value, computed in accordance with Financial Accounting Standards Board's Accounting Standards Codification Topic 718, Compensation-Stock Compensation (ASC Topic 718), with respect to stock awards received by directors for service on our Board. Since the shares are issued free of any restrictions on the grant date, the grant date fair value of these awards is based on the average of our high and low stock price on the NYSE on the date of grant. The following table sets forth the number of shares and grant date fair value of such shares of our common stock issued to our non-management directors during 2017 for service on our Board.

Director	Shares Awarded in 2017	Aggregate Grant Date Fair Value
Robert B. Evans	1,280	\$90,000
John W. Gibson	1,280	\$90,000
Michael G. Hutchinson	1,280	\$90,000
Patty L. Moore	1,280	\$90,000

Eduardo A. Rodriguez	1,280	\$90,000
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Douglas H. Yaeger	1,280	\$90,000
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(3) For the aggregate number of shares of our common stock and phantom stock held by each member of our Board at March 1, 2017, see [Stock Ownership Holdings of Officers and Directors](#) at page 33.

(4) Reflects above-market earnings on Board of Directors fees deferred to cash under our Deferred Compensation Plan for Non-Employee Directors which provides for payment of interest on cash deferrals at a rate equal to Moody's Bond Indices Corporate AAA on the first business day of the plan year, plus 100 basis points, which, at January 3, 2017, was 4.94 percent.

(5) Reflects charitable contributions made by our company or the ONE Gas Foundation, Inc., on behalf of members of our Board as follows: (a) matching contributions up to \$5,000 per year to non-profit organizations of his or her choice pursuant to our Matching Grants Program for Directors of ONE Gas through our Community Investment Program; and (b) matching contributions to the United Way pursuant to our annual United Way contribution program.

#### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During 2017, Messrs. Evans, Hutchinson, Rodriguez and Yaeger and Ms. Moore served on our Executive Compensation Committee. No member of the Executive Compensation Committee was an officer or employee of the company or its subsidiary during 2017, and no member of this committee was formerly an officer of the company or its subsidiary. In addition, during 2017, none of our executive officers served as a member of a compensation committee or Board of any other entity of which any member of our Board was an executive officer.

During 2017, Ms. Moore served as the Vice Chair of the ONEOK Executive Compensation Committee, and Mr. Rodriguez served as a member of the ONEOK Executive Compensation Committee.

**Table of Contents**

**EXECUTIVE SESSIONS OF THE BOARD**

The non-management members of our Board meet in regularly scheduled executive sessions without any members of management present. Our Chairman of the Board presides during the non-management executive sessions of the Board. During 2017, the non-management members of our Board met in executive session during each of the four regular in-person meetings of the Board held during the year. We intend to continue this practice of regularly scheduled meetings of the non-management members of our Board.

Our corporate governance guidelines provide that our lead independent director, who is the chair of our Corporate Governance Committee, presides as the chair at executive session meetings of the independent members of our Board. Our corporate governance guidelines provide that the independent members of the Board shall meet in executive session without management or non-independent directors present in connection with each regularly scheduled in-person meeting of the Board and at such other times as the independent directors deem necessary or appropriate. The independent members of the Board met four times during the year.

**COMMUNICATIONS WITH DIRECTORS**

Our Board believes that it is management's role to speak for our company. Directors refer all inquiries regarding our company from institutional investors, analysts, the news media, customers or suppliers to our CEO or his designee. Our Board also believes that any communications between members of the Board and interested parties, including stakeholders, should be conducted with the knowledge of our CEO. Interested parties, including stakeholders, may contact one or more members of our Board, including non-management directors and non-management directors as a group, by writing to the director or directors in care of our corporate secretary at our principal executive offices. A communication received from an interested party or shareholder will be forwarded promptly to the director or directors to whom the communication is addressed. A copy of the communication also will be provided to our CEO. We will not, however, forward sales or marketing materials, materials that are abusive, threatening or otherwise inappropriate, or correspondence not clearly identified as interested party or shareholder correspondence.

**COMPLAINT PROCEDURES**

Our Board has adopted procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and complaints or concerns under our code of business conduct and ethics. These procedures allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters and matters arising under our code of business conduct and ethics. The full text of these procedures, known as our whistleblower policy, is published on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from our corporate secretary upon request.

**Table of Contents**

**PROPOSAL 1 ELECTION OF CLASS I DIRECTORS**

**ELECTION BY MAJORITY VOTE**

In accordance with our bylaws, the Board currently has seven members, three of whose terms will expire at the 2018 annual meeting. Directors are divided into three classes and are elected for staggered terms of three years, each with a term of office of one of the three classes of directors expiring each year. After this election, the terms of Class I, II and III will expire in 2021, 2019 and 2020, respectively. Each director will hold office for the term to which he or she is elected or until his or her successor is duly elected and qualified.

If shareholders approve the Board's proposal to amend and restate our Certificate of Incorporation to eliminate our classified board structure and provide for the annual election of directors, as more fully described under Proposal 5 Approval of the Amended and Restated Certificate of Incorporation to Eliminate the Classified Structure of our Board, Provide for the Annual Election of Directors and Allow Shareholder Removal of Directors with or without Cause, then the term of all directors, including those elected at this annual meeting will end at the 2019 annual meeting. Thereafter, all directors will be elected for one-year terms.

Our bylaws provide that, in the case of uncontested elections (i.e., elections where the number of nominees is the same as the number of directors to be elected), director nominees are elected by the vote of a majority of the votes cast with respect to that nominee. Abstentions and broker non-votes with respect to the election of a director do not count as votes cast. Our corporate governance guidelines provide that any uncontested nominee for director who fails to receive the requisite majority vote at an annual or special meeting held for the purpose of electing directors where the election is uncontested must, promptly following certification of the shareholder vote, tender his or her resignation to the Board. The Board (excluding the director who tendered the resignation) will evaluate any such resignation in light of the best interests of the company and our shareholders in determining whether to accept or reject the resignation, or whether other action should be taken. In reaching its decision, the Board may consider any factors it deems relevant, including the director's qualifications, the director's past and expected future contributions to the company, the overall composition of the Board and whether accepting the tendered resignation would cause the company to fail to comply with any applicable rule or regulation (including the NYSE listing requirements and the federal securities laws). The Board will act on the tendered resignation and publicly disclose its decision and rationale within 90 days following certification of the shareholder vote.

If no directors receive the requisite majority vote at an annual or special meeting held for the purpose of electing directors where the election is uncontested, then, pursuant to our corporate governance guidelines, the incumbent Board will, within 180 days after the certification of the shareholder vote, nominate a new slate of directors and hold a special meeting for the purpose of electing those nominees. In this circumstance, the incumbent Board will continue to serve until new directors are elected and qualified.

The persons named in the accompanying proxy card intend to vote such proxy in favor of the election of each of the nominees named below, who are all currently directors, unless the proxy provides for a vote against the director. Although the Board has no reason to believe that the nominees will be unable to serve as directors, if a nominee withdraws or otherwise becomes unavailable to serve, the persons named as proxies will vote for any substitute nominee designated by the Board, unless contrary instructions are given on the proxy. Except for these nominees, no

other person has been recommended to our Board as a potential nominee or otherwise nominated for election as a director.

## BOARD QUALIFICATIONS

Our corporate governance guidelines provide that our Corporate Governance Committee will evaluate the qualifications of each director candidate and assess the appropriate mix of skills and characteristics required of Board members in the context of the perceived needs of the Board at a given point in time. Each director also is expected to:

exhibit high standards of integrity, commitment and independence of thought and judgment;

use his or her skills and experiences to provide independent oversight to the business of our company;

be willing to devote sufficient time to carrying out his or her duties and responsibilities effectively;

devote the time and effort necessary to learn the business of the company and the Board;

represent the long-term interests of all stakeholders; and

participate in a constructive and collegial manner.

In addition, our corporate governance guidelines provide that, in nominating candidates, the Board will endeavor to establish director diversity in personal background, race, gender, age and nationality, and to maintain a mix that includes, but is not limited to, the following areas of core competency: accounting and finance; investment banking; business judgment; management; industry knowledge; crisis response; international business; leadership; strategic vision; law; and corporate relations.

Your Board believes that each member of our Board possesses the necessary integrity, skills and qualifications to serve on our Board and that their individual and collective skills and qualifications provide them with the ability to engage management and each other in a constructive and collaborative fashion and, when necessary and appropriate, challenge management in the execution of our business operations and strategy.



**Table of Contents**

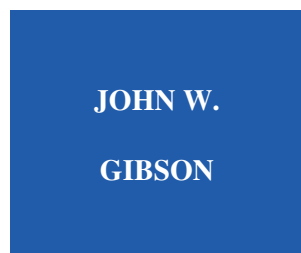
Certain information with respect to the three Class I nominees for election at the annual meeting, as well as each of the other directors, is set forth below, including their names, ages, a brief description of their recent business experience, including present occupations and employment, certain directorships that each person holds and the year in which each person became a director of the company. The three nominees for Class I directors currently serve as directors of the company.

John W. Gibson, Chairman of the Board, Pattye L. Moore, Chair of the Executive Compensation Committee and Douglas H. Yaeger, Vice Chair of the Executive Compensation Committee have been nominated for re-election as Class I directors for a three-year term expiring in 2021. Ms. Moore and Messrs. Gibson and Yaeger are not being proposed for election pursuant to any agreement or understanding between Ms. Moore and Messrs. Gibson and Yaeger and the company or any other person(s).

**YOUR BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR EACH NOMINEE.**

**DIRECTOR NOMINEES FOR CLASS I DIRECTORS**

Set forth below is certain information with respect to each nominee for election as a director, each of whom is a current director.



Mr. Gibson is the non-executive Chairman of the Board of ONE Gas, Inc. Mr. Gibson is also the non-executive Chairman of the Board of ONEOK, Inc. Mr. Gibson served as Chairman of the Board of ONEOK Partners, L.P., until its acquisition by ONEOK in June 2017. Mr. Gibson was instrumental in the separation of ONE Gas from ONEOK into a stand-alone, 100 percent regulated, publicly traded natural gas distribution company. In connection with the separation, Mr. Gibson retired as Chief Executive Officer of ONEOK and of ONEOK Partners GP, L.L.C. effective January 31, 2014. Mr. Gibson also serves on the board of BOK Financial Corporation and joined the board of Matrix Service Company in April 2016.

**Position: Chairman of the Board**  
**Age: 65**  
**Director Since: 2014**  
**Independent: No**

Mr. Gibson joined ONEOK in 2000 as President of Energy, responsible for the company's natural gas gathering and processing, and transportation and storage businesses. In 2006, he was named President and Chief Operating Officer of ONEOK Partners, the master limited partnership that owns midstream natural gas and natural gas liquids businesses. He was elected Chief Executive Officer of ONEOK and President and Chief Executive Officer of ONEOK Partners in January 2007, becoming Chairman of ONEOK Partners later that year. In January 2010, he became President of ONEOK, and in May 2011, he became Chairman.

His career began in the energy industry in 1974 as a refinery engineer with Exxon Company, USA. He spent 18 years with Phillips Petroleum Company in a variety of

domestic and international positions in its natural gas, natural gas liquids and exploration and production businesses. Prior to joining ONEOK, Mr. Gibson was executive vice president of Koch Energy, Inc., a subsidiary of Koch Industries, responsible for its interstate natural gas pipelines and gathering and processing businesses.

Mr. Gibson had direct responsibility for and extensive experience in strategic and financial planning, acquisitions and divestitures, operations, management supervision and development, and compliance. Over the course of his lengthy career in a variety of sectors of the oil and gas industry, Mr. Gibson has gained extensive management and operational experience and has demonstrated a strong track record of leadership, strategic vision and risk management. In light of Mr. Gibson's role as the top executive officer at ONEOK and ONEOK Partners and his extensive industry and managerial experience and knowledge, our Board of Directors has concluded that Mr. Gibson should continue as a member of our Board.

**Committee Member:** Executive (Chair)

**Board skills and qualifications:**

Executive management

Strategic and financial planning

Operations

Risk management and oversight

Industry knowledge

Compliance

Acquisitions and divestitures

**Table of Contents**

**PATTYE L.  
MOORE**

Ms. Moore currently serves as the non-executive Chairman of the Board of Red Robin Gourmet Burgers (NASDAQ: RRGB). Since 2002, Ms. Moore has served on the board of ONEOK, Inc. and is the Vice Chair of its Executive Compensation Committee and a member of its Corporate Governance Committee. Ms. Moore also serves as a director of privately-held QuikTrip Corporation. In addition, Ms. Moore is a business strategy consultant, speaker and the author of *Confessions from the Corner Office*, a book on leadership instincts, published by Wiley & Sons in 2007.

**Age:** 60

**Director Since:** 2014

**Independent:** Yes

Ms. Moore served on the board for Sonic Corp. from 2000 through January 2006 and was the President of Sonic from January 2002 to November 2004. She held numerous senior management positions during her 12 years at Sonic, including Executive Vice President, Senior Vice President-Marketing and Brand Development and Vice President-Marketing. Ms. Moore has extensive senior management, marketing, business strategy, brand development and corporate governance experience as a result of her service at Red Robin, ONEOK, Inc. and Sonic, her service on other boards and her consulting career. In her role as President of Sonic Corp., Ms. Moore was responsible for company and franchise operations, purchasing and distribution, marketing and brand development for the 3,000 unit chain with over \$3 billion in system-wide sales. As a business strategy consultant and as a board member, Ms. Moore has extensive experience in leadership, management development, strategic planning and executive compensation. Ms. Moore also has extensive experience as a member of the board of numerous non-profit organizations, including serving as Chairman of the Board of the National Arthritis Foundation. Ms. Moore is a National Association of Corporate Directors (NACD) Board Leadership Fellow and was named to the NACD 2017 Directorship 100 List. In light of Ms. Moore's extensive executive managerial experience and her leadership skills, our Board of Directors has concluded that Ms. Moore should continue as a member of our Board.

**Committee Member:** Executive Compensation (Chair), Governance, Audit, Executive

**Board skills and qualifications:**

Executive management

Marketing

Corporate governance

Strategic and financial planning

Executive compensation

**DOUGLAS H.  
YAEGER**

Douglas Yaeger served as Chairman, President and Chief Executive Officer of The Laclede Group, Inc. (now known as Spire Inc.) and Laclede Gas Company from 1999 until his retirement on February 1, 2012.

After spending nearly 20 years in the interstate pipeline industry, including roles as Executive Vice President of Mississippi River Transmission Corporation and Executive Vice President of Arkla Energy Marketing Company, Mr. Yaeger joined Laclede in 1990 as Vice President Planning. He was elected Laclede's Senior Vice President Operations, Gas Supply and Technical Services in 1992. In 1995, Mr. Yaeger was elected Executive Vice President Operations and Marketing and subsequently in 1997 elected President and Chief Operating Officer and joined Laclede's board.

**Age:** 69

**Director since:** 2014

**Independent:** Yes

Mr. Yaeger served on the board and Executive Committee of the American Gas Association and is a past Chairman of its Audit Committee. He also served as Chairman of the Missouri Energy Development Association and the Southern Gas Association. Mr. Yaeger currently serves on the boards of FB Corporation, Barnes-Jewish Hospital and The Municipal Theatre Association of St. Louis.

Mr. Yaeger has extensive senior management experience in a variety of sectors in the oil and natural gas industry as a result of his service at Laclede where he demonstrated a strong track record of leadership and sound judgment. As a result of his experience, Mr. Yaeger is qualified to analyze the various financial and operational aspects of our company. In light of Mr. Yaeger's extensive industry, financial, corporate governance, operating and compensation experience, our Board of Directors has concluded that Mr. Yaeger should continue as a member of our Board.

**Committee Member:** Executive Compensation (Vice Chair), Governance, Audit

**Board skills and qualifications:**

Executive management	Corporate governance
Operations	Financial knowledge
Industry knowledge	Executive compensation

**Table of Contents**

**CLASS II DIRECTORS (CONTINUING DIRECTORS NOT UP FOR RE-ELECTION AT THE ANNUAL MEETING)**

Set forth below is certain information with respect to each Class II director, each of whom is a current director.

**PIERCE H.  
NORTON II**

Pierce Norton is President and Chief Executive Officer of ONE Gas.

Prior to the separation, Mr. Norton served as Executive Vice President and Chief Operating Officer of ONEOK and ONEOK Partners. Before that, Mr. Norton was President of the ONEOK Distribution Companies Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service. Also, while at ONEOK, he held the position of Executive Vice President of Natural Gas, which included responsibility for all natural gas pipelines and the natural gas gathering and processing businesses within ONEOK Partners.

**Position:  
Management Director**

**Age: 58**

**Director Since: 2014**

**Independent: No**

Mr. Norton began his natural gas industry career in 1982 at Delhi Gas Pipeline, a subsidiary of Texas Oil and Gas Corporation. He later worked for American Oil and Gas with operational responsibilities for natural gas gathering and processing, and for intrastate and interstate pipelines. Mr. Norton then worked for KN Energy as Vice President and General Manager of the Heartland Region, before moving to Bear Paw Energy as Vice President of Business Development. In 2002, he was named President of Bear Paw Energy, a subsidiary of Northern Border Partners at the time, now ONEOK Rockies Midstream, a subsidiary of ONEOK Partners.

Mr. Norton is a member of the American Gas Association's board of directors and served as its 2017 Chairman. He currently serves as a board member of the Tulsa Community College Foundation, the Tulsa Community Foundation and the Oklahoma Center for Community and Justice. He is a past board member of the Interstate Natural Gas Association of America, the Texas Pipeline Association, the North Dakota Petroleum Council and the Western Energy Alliance, formerly known as the Independent Petroleum Association of Mountain States. He also is a graduate of Harvard Business School's Advanced Management Program.

Mr. Norton has served in a variety of roles of continually increasing responsibility at ONEOK and ONEOK Partners from November 2004 to January 2014. In these roles, Mr. Norton has had direct responsibility for and extensive experience in strategic and financial planning, acquisitions and divestitures, operations, management supervision and

development, and compliance. Mr. Norton has significant experience in assessing acquisition opportunities and in structuring, financing and completing merger and acquisition transactions. In addition, during the course of his lengthy career in a variety of sectors of the oil and gas industry, Mr. Norton gained extensive management and operational experience and has demonstrated a strong track record of leadership, strategic vision and risk management.

**Committee Member:** Executive

**Board skills and qualifications:**

Executive management

Corporate development

Operations

Strategic and financial planning

Industry knowledge

Acquisitions and divestitures

Risk management and oversight

**Table of Contents**

**EDUARDO A.  
RODRIGUEZ**

Mr. Rodriguez is a member of the ONEOK, Inc. board and serves as a member of its Executive Compensation Committee and as Vice Chair of its Corporate Governance Committee and is former chair of its Audit Committee. Mr. Rodriguez is President of Strategic Communication Consulting Group in El Paso, Texas. Mr. Rodriguez previously served as Executive Vice President of Hunt Building Corporation, a privately held company engaged in construction and real estate development headquartered in El Paso, Texas. He also served as a member of the board of Hunt Building Corporation. Prior to his three years with Hunt Building Corporation, Mr. Rodriguez spent 20 years in the electric utility industry at El Paso Electric Company, a publicly traded, investor-owned utility, where he served in various senior-level executive positions, including General Counsel, Senior Vice President for Customer and Corporate Services, Executive Vice President and as Chief Operating Officer. Mr. Rodriguez is a licensed attorney in the states of Texas and New Mexico, and is admitted to the United States District Court for the Western District of Texas.

**Position: Lead  
Independent  
Director**

**Age: 62**

**Director Since: 2014**

**Independent: Yes**

Mr. Rodriguez has had extensive senior management, operational, entrepreneurial and legal experience in a variety of industries as a result of his service at Strategic Communication Consulting Group, Hunt Building Corporation and El Paso Electric Company. Mr. Rodriguez has engaged in the practice of law for over 30 years. In addition to his extensive legal experience, Mr. Rodriguez's senior management positions have included responsibility for strategic and financial planning, corporate governance, regulatory compliance, customer service and safety matters. In these positions he has demonstrated a strong track record of achievement and sound judgment.

**Committee Member:** Governance (Chair), Audit, Executive Compensation, Executive

**Board skills and qualifications:**

Executive management Strategic and financial planning

Corporate governance Legal

Regulatory compliance Industry knowledge

**CLASS III DIRECTORS (CONTINUING DIRECTORS NOT UP FOR RE-ELECTION AT THE ANNUAL MEETING)**

Set forth below is certain information with respect to each Class III director, each of whom is a current director.

**ROBERT B.  
EVANS**

On March 1, 2016, Mr. Evans was elected to the board of Targa Resources Corp. and appointed Chairman of the Risk Management Committee and as a member of its Compensation Committee. Mr. Evans has served as a director of Targa Resources GP LLC, a subsidiary of Targa Resources Corp. and the general partner of Targa Resources Partners, LP since 2007. Mr. Evans has been on the Board of Directors of New Jersey Resources Corp. since 2009 and currently serves as a member of its Audit Committee and Executive Committee. Mr. Evans is also a member of the Board of Directors of Sprague Resources, LP and currently serves as a member of its Audit Committee and Chair of its Conflicts Committee.

**Age:** 69

**Director Since:** 2014

**Independent:** Yes

Mr. Evans was President and Chief Executive Officer of Duke Energy Americas, a business unit of Duke Energy Corp., from January 2004 until his retirement in March 2006. He served as the transition executive for Energy Services, a business unit of Duke Energy, during 2003. Mr. Evans was president of Duke Energy Gas Transmission, a business unit of Duke Energy, beginning in 1998 until he was named President and Chief Executive Officer in 2002, a position in which he served until 2004. Prior to his employment at Duke Energy, Mr. Evans served as Vice President of Marketing and Regulatory Affairs for Texas Eastern Transmission and Algonquin Gas Transmission from 1996 to 1998.

Mr. Evans' extensive executive experience with the natural gas transmission business and wholesale natural gas trading business of Duke Energy and Targa Resources Partners provide him with valuable industry experience. Mr. Evans' service on board positions for other energy companies brings executive, corporate development, operations, finance, customer perspectives, risk management and industry knowledge to the board.

**Committee Member:** Audit (Vice Chair), Governance, Executive Compensation

**Board skills and qualifications:**

Executive management	Corporate development
Operations	Financial knowledge
Industry knowledge	



**Table of Contents**

**MICHAEL G.  
HUTCHINSON**

Michael Hutchinson currently serves as interim Chief Executive Officer and on the board of Westmoreland Coal Company since 2012. He is also a member of its Executive Committee. In 2015, Mr. Hutchinson joined the board of ONEOK Partners GP, L.L.C., the general partner of ONEOK Partners, L.P., and served as vice chair of its Audit Committee until the acquisition of ONEOK Partners, L.P. by ONEOK, Inc. in June 2017. In May 2017, Mr. Hutchinson joined the board of CoBiz Financial, Inc.

**Age: 62**  
**Director Since: 2014**  
**Independent: Yes**

Mr. Hutchinson retired as a partner from Deloitte & Touche in 2012. His Deloitte career spanned nearly 35 years, leading the energy and natural resources practice in Colorado for more than 10 years, while at the same time managing more than 150 professionals in the Denver audit and enterprise risk management practice.

Mr. Hutchinson has substantial expertise in accounting and finance matters gained during his experience in public accounting. He served as the lead audit partner on many of the firm's largest clients in Denver from 1989 until his retirement.

Mr. Hutchinson's qualifications include his experience with accounting principles, financial controls and evaluating financial statements of public companies in the energy sector, particularly from an auditor's perspective. As a result of his experience, Mr. Hutchinson is qualified to analyze the various financial and operational aspects of our company.

**Committee Member:** Audit (Chair), Governance (Vice Chair), Executive Compensation, Executive

**Board skills and qualifications:**

Accounting and financial expertise

Financial and operational analysis

Industry knowledge

Public accounting

There are no arrangements or understandings between any of our directors and any other persons pursuant to which he or she is continuing to serve as a director of the company.

There are no family relationships between or among any of our directors and executive officers.

**Table of Contents**

**PROPOSAL 2 RATIFY THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2018**

**RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018**

Our Board has ratified the selection by our Audit Committee of PricewaterhouseCoopers LLP to serve as our independent (consistent with Securities and Exchange Commission and NYSE policies regarding independence) registered public accounting firm for 2018. In carrying out its duties in connection with the 2017 audit, PricewaterhouseCoopers LLP had unrestricted access to our Audit Committee to discuss audit findings and other financial matters.

Representatives of PricewaterhouseCoopers LLP will be present at the annual meeting to answer questions. They also will have the opportunity to make a statement if they desire to do so.

Approval of this proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on this proposal at the meeting. Abstentions will have the effect of a vote against the proposal.

**YOUR BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018.**

**AUDIT AND NON-AUDIT FEES**

Audit services provided by PricewaterhouseCoopers LLP during the 2017 fiscal year included an integrated audit of our consolidated financial statements and internal control over financial reporting, review of our unaudited quarterly financial statements, consents for and review of documents filed with the Securities and Exchange Commission, and performance of certain agreed-upon procedures.

The following table presents fees billed for services rendered by PricewaterhouseCoopers LLP for the year ended December 31, 2017:

	2017	2016
--	------	------

(Thousands of Dollars)		
Audit fees <sup>(1)</sup>	\$971.9	\$937.5
Audit related fees <sup>(2)</sup>	\$-	\$5.4
Tax fees	\$-	\$-
All other fees <sup>(3)</sup>	\$35.3	\$-
Total	\$1,007.2	\$942.9

(1) Audit fees include audit services provided for the audits of the annual financial statements and internal controls as required by Section 404 of the Sarbanes-Oxley Act of 2002, and reviews of unaudited quarterly financial information and consents related to the Registration Statements filed with the Securities and Exchange Commission by ONE Gas, Inc.

(2) Audit related fees include subscriptions to research software for technical accounting guidance.

(3) All other fees include fees for a professional education seminar for company personnel.

#### **AUDIT COMMITTEE POLICY ON SERVICES PROVIDED BY THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Consistent with Securities and Exchange Commission and NYSE policies regarding auditor independence, the Audit Committee has the responsibility for appointing, setting compensation for and overseeing the work of our independent auditor. In furtherance of this responsibility, the Audit Committee has established a policy with respect to the pre-approval of audit and permissible non-audit services provided by our independent auditor.

Prior to engagement of PricewaterhouseCoopers LLP as our independent auditor for the 2018 audit, a plan was submitted to and approved by the Audit Committee setting forth the audit services expected to be rendered during 2018. The plan included audit services which are comprised of work performed in the audit of our financial statements and to attest and report on our internal controls over financial reporting, as well as work that only the independent auditor can reasonably be expected to provide, including:

quarterly review of our unaudited financial statements;

**ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement **29**

**Table of Contents**

comfort letters;

statutory audits;

performance of certain agreed-upon procedures;

attest services; and

consents and assistance with the review of documents filed with the Securities and Exchange Commission. Audit fees are budgeted, and the Audit Committee requires the independent auditor and management to report actual fees versus budgeted fees periodically during the year by category of service.

The Audit Committee has adopted a policy that provides that fees for audit, audit related and tax services that are not included in the independent auditor's annual services plan, and for services for which fees are not determinable on an annual basis, are pre-approved if the fees for such services will not exceed \$75,000. In addition, the policy provides that the Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. In 2017, the Chair of the Audit Committee approved training services to be provided by PricewaterhouseCoopers LLP to the company's rates and regulatory personnel and reported the approval to the Audit Committee at its next scheduled meeting.

**2018 REPORT OF THE AUDIT COMMITTEE**

The purpose of the Audit Committee is to assist the Board with the oversight of the integrity of the company's financial statements and internal controls, the company's compliance with legal and regulatory requirements, the independence, qualifications and performance of the company's independent registered public accounting firm and the performance of the company's internal audit function. The Audit Committee's function is more fully described in its charter, which the Board has adopted. The charter is on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from the company's corporate secretary upon request. The Audit Committee reviews the charter on an annual basis. The Board annually reviews the definition of independence for audit committee members contained in the listing standards for the NYSE and applicable rules of the Securities and Exchange Commission, as well as our director independence guidelines, and has determined that each member of the Audit Committee is independent under those standards. In addition, the Board has determined that all members of the Audit Committee are financially literate and four of the five committee members are each an audit committee financial expert.

Management is responsible for the preparation, presentation and integrity of the company's financial statements, accounting and financial reporting principles, internal controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. The company's independent registered public accounting firm, PricewaterhouseCoopers LLP, is responsible for performing an independent audit of the company's consolidated financial statements and the company's internal control over financial reporting and expressing an opinion on the conformity of those financial statements with generally accepted accounting principles and on the effectiveness of the company's internal control over financial reporting.

In this context, the Audit Committee has met and held discussions with management and the company's independent registered public accounting firm, PricewaterhouseCoopers LLP, regarding the fair and complete presentation of the company's financial results and management's report on its assessment of the company's internal control over financial reporting. In addition, the Audit Committee reviews the quality of the company's significant accounting policies and presentations in the financial statements. The Audit Committee has discussed the most critical estimates and accounting policies applied by the company in its financial statements, as well as alternative treatments. The Audit Committee has also reviewed both the internal and independent auditors' audit plans and subsequent findings. Management has represented to the Audit Committee that the company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditor.

The Audit Committee has also reviewed and discussed with both management and the independent registered public accounting firm, management's assessment of the company's internal control over financial reporting. In addition, the Audit Committee has discussed the independent auditor's report on the company's internal control over financial reporting. The Audit Committee has also discussed with the company's independent auditor the matters required to be discussed by Public Company Accounting Oversight Board (United States) Auditing Standard No. 1301, Communications with Audit Committees, and Rule 2-07 of the Securities and Exchange Commission's Regulation S-X (Communication with Audit Committees).

In addition, the Audit Committee has discussed with the independent registered public accounting firm, the firm's independence from the company and its management, including the matters in the written disclosures and the letter received from PricewaterhouseCoopers LLP as required by the applicable requirements of the Public Company Accounting Oversight Board (United States) regarding the independent accountant's communications with the Audit Committee concerning independence. While no non-audit services were provided by PricewaterhouseCoopers LLP in 2016 and non-audit services provided by PricewaterhouseCoopers LLP were not significant in 2017, and thus, did not impact the Audit Committee's determination of PricewaterhouseCoopers LLP's independence, the Audit Committee will also consider in the

**30**      **ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

future whether the provision of non-audit services to the company by PricewaterhouseCoopers LLP is compatible with maintaining that firm's independence. The Audit Committee has concluded that the independent registered public accounting firm is independent from the company and its management. In considering the reappointment of PricewaterhouseCoopers LLP as the company's independent registered public accounting firm, the Audit Committee considered talent and experience on the audit engagement, the appropriateness of fees and the quality and candor of communications with the Audit Committee.

The Audit Committee discussed with the company's internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with both the internal and independent auditors, with and without management present, to discuss the results of their examinations, the assessments of the company's internal control over financial reporting and the overall quality of the company's financial reporting.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board, and the Board approved, the inclusion of the audited financial statements of the company as of and for the year ended December 31, 2017, in the company's Annual Report on Form 10-K for the year ended December 31, 2017, for filing with the Securities and Exchange Commission.

Respectfully submitted by the members of the Audit Committee of the Board:

**Michael G. Hutchinson, Chair**

**Robert B. Evans, Vice Chair**

**Pattye L. Moore**

**Eduardo A. Rodriguez**

**Douglas H. Yaeger**

Table of Contents**STOCK OWNERSHIP****HOLDINGS OF MAJOR SHAREHOLDERS**

The following table sets forth the beneficial owners of five percent or more of our common stock known to us at March 1, 2018.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class <sup>(5)</sup>
Common Stock	BlackRock, Inc. 55 E. 52 <sup>nd</sup> Street New York, NY 10055	5,679,370 <sup>(1)</sup>	10.90% <sup>(1)</sup>
Common Stock	The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	4,878,283 <sup>(2)</sup>	9.33% <sup>(2)</sup>
Common Stock	T. Rowe Price Associates, Inc. 100 E. Pratt Street	4,571,352 <sup>(3)</sup>	8.70% <sup>(3)</sup>



Baltimore, MD 21202

Common Stock	American Century Investment Management, Inc.	3,642,709 <sup>(4)</sup>	6.97% <sup>(4)</sup>
	4500 Main Street, 9 <sup>th</sup> Floor		
	Kansas City, MO 64111		

- (1) Based upon Schedule 13G filed with the Securities and Exchange Commission on January 19, 2018, in which BlackRock, Inc. reported that, as of December 31, 2017, BlackRock, Inc. beneficially owned in the aggregate 5,679,370 shares of our common stock. Of such shares, BlackRock, Inc. reported it had sole dispositive power with respect to 5,679,370 shares and sole voting power with respect to 5,549,483 shares.
- (2) Based upon Schedule 13G filed with the Securities and Exchange Commission on February 9, 2018, in which The Vanguard Group, Inc. reported that, as of December 31, 2017, The Vanguard Group, Inc. directly and through its wholly-owned subsidiaries, Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., beneficially owned in the aggregate 4,878,283 shares of our common stock. Of such shares, The Vanguard Group, Inc. reported it had sole dispositive power with respect to 4,806,919 shares, shared dispositive power with respect to 71,364 shares, sole voting power with respect to 64,590 shares, and shared voting power with respect to 18,500 shares.
- (3) Based upon Schedule 13G filed with the Securities and Exchange Commission on February 14, 2018, in which T. Rowe Price Associates, Inc. reported that as of December 31, 2017, T. Rowe Price Associates, Inc. beneficially owned in the aggregate 4,571,352 shares of our common stock. Of such shares, T. Rowe Price Associates, Inc. reported it had sole dispositive power with respect to 4,571,352 shares and sole voting power with respect to 917,665 shares.
- (4) Based upon Schedule 13G filed with the Securities and Exchange Commission on February 9, 2018, in which American Century Investment Management, Inc., reported that, as of December 31, 2017, American Century Investment Management, Inc. directly and through its wholly-owned subsidiary, American Century Companies, Inc., American Century Capital Portfolios, Inc. controlled by the Stowers Institute for Medical Research, beneficially owned in the aggregate 3,642,709 shares of our common stock with respect to which American Century Investment Management, Inc. had sole voting power with respect to 3,480,952 shares, and sole dispositive power with respect to 3,642,709 shares.
- (5) The percent of voting securities owned is based on the number of outstanding shares of our common stock on December 31, 2017.

**32**      **ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

Table of Contents**HOLDINGS OF OFFICERS AND DIRECTORS**

The following table sets forth the number of shares of our common stock beneficially owned as of March 1, 2018, by (1) each director and nominee for director, (2) each of the executive officers named in the Summary Compensation Table for 2017 under the caption "Compensation Discussion and Analysis" in this proxy statement, and (3) all directors and executive officers as a group.

Name of Beneficial Owner	Shares of ONE Gas Common Stock Beneficially Owned <sup>(1)</sup>	ONE Gas Directors Deferred Compensation Plan Phantom Stock <sup>(2)</sup>	Total Shares of ONE Gas Common Stock Beneficially Owned Plus ONE Gas Directors Deferred Compensation Plan Phantom Stock	ONE Gas Percent of Class <sup>(3)</sup>
Robert B. Evans	8,118	-	8,118	*
John W. Gibson	267,672	8,620	276,292	*
Michael G. Hutchinson	7,118	-	7,118	*
Patty L. Moore	500	30,660	31,160	*
Pierce H. Norton II	197,489	-	197,489	*

Eduardo A. Rodriguez	7,612	926	8,538	*
Douglas H. Yaeger	18,118	-	18,118	*
Curtis L. Dinan	118,909	-	118,909	*
Caron A. Lawhorn	117,356	-	117,356	*
Robert S. McAnnally	8,565	-	8,565	*
Joseph L. McCormick	49,565	-	49,565	*
All directors and executive officers as a group	809,969	40,206	850,175	*

\* Less than 1 percent.

(1) Includes shares of common stock held by members of the family of the director or executive officer for which the director or executive officer has sole or shared voting or investment power, shares of common stock held in our Direct Stock Purchase and Dividend Reinvestment Plan, shares held through our 401(k) Plan and shares held through our Profit Sharing Plan. There are no shares issuable pursuant to grants of restricted stock units or performance stock units within 60 days of March 1, 2018.

**Table of Contents**

The following table sets forth for the persons indicated and the number of shares of our common stock that are held on the person's behalf by the trustee of our 401(k) Plan and our Profit Sharing Plan as of March 1, 2018.

Executive Officer/Director	Stock Held by 401(k) Plan	Stock Held by Profit-Sharing Plan
Robert B. Evans	-	-
John W. Gibson	-	-
Michael G. Hutchinson	-	-
Patty L. Moore	-	-
Pierce H. Norton II	-	-
Eduardo A. Rodriguez	-	-
Douglas H. Yaeger	-	-
	4,919	-

Curtis L. Dinan

Caron A. Lawhorn	1,073	-
Robert S. McAnnally	-	-
Joseph L. McCormick	2,887	-
All directors and executive officers as a group	8,879	-

(2) Represents shares of phantom stock credited to a director's account under our Deferred Compensation Plan for Non-Employee Directors. Each share of phantom stock is equal to one share of our common stock. Phantom stock has no voting or other shareholder rights, except that dividend equivalents are paid on phantom stock and reinvested in additional shares of phantom stock based on the average of the high and low trading prices of our common stock on the NYSE on the date the dividend equivalent was paid. Shares of phantom stock do not give the holder beneficial ownership of any shares of our common stock because they do not give such holder the power to vote or dispose of any shares of our common stock.

(3) The percent of our voting securities owned is based on our outstanding shares of common stock on March 1, 2018.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires our directors, executive officers and beneficial owners of 10 percent or more of our common stock to file with the Securities and Exchange Commission and the NYSE initial reports of ownership and reports of changes in ownership of our common stock. Based solely on a review of the copies of reports furnished to us and representations that no other reports were required, we believe that all of our directors, executive officers, and 10 percent or more shareholders during the fiscal year ended December 31, 2017, complied on a timely basis with all applicable filing requirements under Section 16(a) of the Exchange Act.

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

The Compensation Discussion and Analysis contains a detailed description of our executive compensation philosophy, the elements of compensation that we provide to our NEOs, the process and analysis that the Executive Compensation Committee uses in making compensation decisions for the NEOs, and highlights of 2017 performance and compensation decisions.

Our NEOs for the fiscal year ended December 31, 2017, are as follows:

Name	Title
Pierce H. Norton II	President and Chief Executive Officer
Curtis L. Dinan	Senior Vice President, Chief Financial Officer and Treasurer
Caron A. Lawhorn	Senior Vice President, Commercial
Robert S. McAnnally	Senior Vice President, Operations
Joseph L. McCormick	Senior Vice President, General Counsel and Assistant Secretary

**EXECUTIVE SUMMARY**

## 2017 Performance Highlights

In 2017, we generated net income of \$163 million, or \$3.08 per diluted share compared with 2016 net income of \$140.1 million, or \$2.65 per diluted share. 2017 operating income was \$299.5 million, compared to operating income of \$269.1 million in 2016.

We paid dividends totaling \$1.68 per share, totaling \$88 million.

The market price of our common stock was \$73.26 per share at December 29, 2017, an increase of approximately 118 percent from the closing price of \$33.63 on February 3, 2014, our first day of regular way trading and an increase of 14.5 percent over last year's closing price of \$63.96 at December 30, 2016.

We generated total shareholder return of approximately 140 percent from February 3, 2014, through December 29, 2017. This return exceeded the returns over the same period of eight of the nine companies in our peer group, the S&P MidCap 400 Index (59.66 percent), the S&P MidCap Utilities Index (57.40 percent) and the Dow Jones Industrial Average (77.26 percent).

Driving safely, personal injury prevention and public safety continue to be a priority at ONE Gas. We achieved a 22 percent improvement over 2016 actual results in our TRIR, a 33 percent improvement in our PVIR, and a 32 percent improvement in our DART rate as compared to last year.

Our executive compensation programs have features designed to align the interests of executives with stakeholders. The following chart provides an overview of our compensation programs:



What We Do	What We Don't Do
<p>Emphasize a pay-for-performance focus where the majority of executive compensation is performance based</p>	<ul style="list-style-type: none"> <li>û Enter into employment agreements with executive officers</li> </ul>
<p>Grant an annual incentive that is based on financial, operational and individual performance</p>	<ul style="list-style-type: none"> <li>û Provide excise tax gross-ups upon a change in control</li> </ul>
<p>Grant 80 percent of long-term incentive ( LTI ) in performance-vesting equity to incent the accomplishment of long-term sustainable business goals while aligning the interests of our executives and stakeholders</p>	<ul style="list-style-type: none"> <li>û Provide tax gross-ups on other compensation or benefits</li> </ul>
<p>Engage an independent executive compensation consultant</p>	<ul style="list-style-type: none"> <li>û Pay dividends on unearned performance shares</li> </ul>
	<ul style="list-style-type: none"> <li>û Encourage excessive or imprudent risk taking</li> </ul>
	<ul style="list-style-type: none"> <li>û Offer any perquisites to executive officers</li> </ul>

Review tally sheets for NEOs prior to making compensation decisions

û Offer incentive programs that have uncapped individual performance or company performance modifiers

Maintain a clawback policy to recoup incentive-based compensation awards under certain circumstances

Enforce share ownership guidelines for executives and independent directors to ensure dedication to the company's accomplishment of long-term sustainable business goals and to align the interests of our executives, independent directors and stakeholders

Prohibit executives and independent directors from hedging or pledging activities, subject to an exception for CEO approval pledges described in greater detail below

Restrict change in control cash benefits to double-trigger vesting

Restrict change in control acceleration of equity vesting  
to double-trigger vesting

**ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement **35**

## **Table of Contents**

### **Our Philosophy**

We provide executive compensation programs designed to attract, engage, motivate, reward and retain highly effective key executives who drive our success and who are leaders in our industry. We pay for performance in order to align the long-term interests of our executive officers with those of our stakeholders while also rewarding behaviors that drive collaboration, execution, teamwork, and safety within our culture.

A significant part of each executive's pay is at-risk in the form of annual performance-based STI and LTI awards. A NEO's compensation package is generally comprised of the following elements:

Base salary,

Annual STI cash awards, and

LTI awards including:

PSUs, and

RSUs.

We believe that our executive compensation programs provide our executive officers with a balanced pay mix of market-competitive base salaries, STI awards tied to achieving financial and operational targets, and LTI awards promoting long-term sustainable business by being tied to relative total shareholder return (TSR) over a three-year performance period.

The Committee evaluates the compensation data while considering our compensation philosophy in determining the allocation of these elements to the NEOs. For 2017, 76 percent of the CEO's total compensation was at risk and an average of 64 percent was at risk for the other NEOs.

We generally seek to pay executives within a competitive range of the market median of target total compensation. However, we may target pay opportunities above or below the median for various reasons, including but not limited to experience, company performance, sustained individual performance and internal pay equity.

### **HOW WE DETERMINE PAY**

#### **Role of the Executive Compensation Committee and the Board of Directors**

The Committee, which is comprised of independent directors, reviews our executive compensation programs, market benchmark data and the executive officer compensation packages each year. It approves individual base salaries, STI awards and LTI grants for each NEO. The Committee also certifies the achievement of STI and LTI performance

levels for the respective performance periods, and approves the current year's STI program, including individual target opportunities.

In making individual compensation decisions, the Committee reviews the recommendations from the CEO with respect to all NEOs other than himself. The Committee reviews and discusses these recommendations in executive session with its independent executive compensation consultant and reaches its own decision with respect to the compensation of the CEO and the other NEOs. The Committee then submits its compensation decisions with respect to the CEO and the other NEOs to the Board for ratification.

#### **Role of the 2017 Shareholder Advisory Vote to Approve 2016 Executive Compensation**

In 2017, we received a favorable advisory vote on our executive compensation, with 96.8 percent of the company's shares voting in favor of the executive compensation. The Committee therefore determined shareholders were supportive of the company's pay programs and there was not a

**36**      **ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

## **Table of Contents**

need to materially change the executive compensation practices. The Committee will continue to monitor compensation practices, future advisory votes and other shareholder feedback to align executive compensation with the interests of the company and our stakeholders.

### **Role of the Independent Executive Compensation Consultant**

The Committee engages an independent executive compensation consultant, Meridian Compensation Partners, LLC ( Meridian ), to advise on matters related to executive and non-employee director compensation. This includes assessing the peer group and competitive market data, providing advice on the company's STI and LTI programs, informing the Committee of emerging practices, trends and changes in regulatory and corporate governance matters and reviewing the executive and independent director compensation programs and policies. The Committee regularly meets with its independent executive compensation consultant with and without management and has the sole authority to approve its fees and terms of engagement. Meridian reports directly to the Committee and does not provide any services or advice to management, although they may meet from time to time with members of management as necessary to support their work on behalf of the Committee.

As required by the Committee's charter, the Committee annually reviews the independence of its executive compensation consultant, considering the factors set forth by the SEC and in the NYSE listing standards. For 2017, the Committee found that Meridian continues to meet the SEC rules and NYSE listing standards for independence.

### **Role of Executive Officers and Management**

Annually, our executive officers present the year's strategic and financial plan to the Board for approval. Based on the approved plan, the company's executive officers recommend the measures, weighting, targets and the threshold/maximum performance goals for the annual STI plan. Management also advises the Committee of their assessment of the challenges facing the company, economic trends related to the business and the overall economy. Following the end of each fiscal year, the CEO reviews the company's actual performance relative to the approved STI goals and the performance of each executive, excluding himself, and recommends approval of an STI award to the Committee for each executive officer, including the NEOs, other than himself. The CEO also makes recommendations for base salary adjustments, STI target opportunities and LTI awards for the executive officers, including the NEOs, other than himself.

The Company's Human Resources department supports both the Committee and management by providing analysis and research regarding our executive compensation programs.

### **The Use of Tally Sheets**

When making compensation decisions, the Committee reviews comprehensive tally sheets for the executive officers including the NEOs. The tally sheets, prepared by management and reviewed by the Committee's independent executive compensation consultant, list components of the NEOs' compensation such that the Committee can review the total compensation of the NEOs under different scenarios and so that the Committee can consider wealth accumulation as part of its due diligence in considering and approving compensation.

## **MARKET BENCHMARKING**

For its 2017 compensation decisions, the Committee's independent executive compensation consultant provided a competitive assessment of our executive compensation programs and the compensation levels for our executive officers, including the NEOs, using publicly available information from our peer group. The assessment included

information on annual base salaries, STI targets, LTI awards and total compensation opportunities.

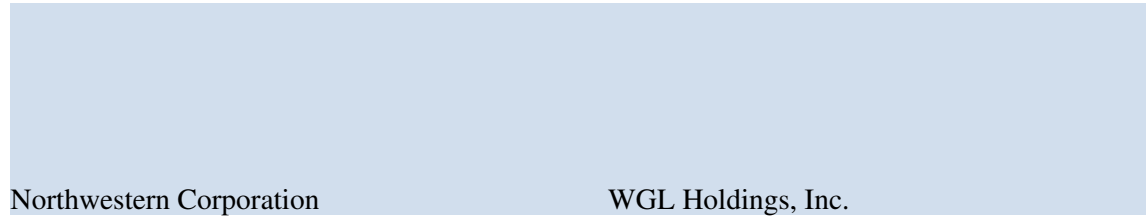
With input from its independent executive compensation consultant, the Committee considers the following selection criteria to identify the peer group:

Primary focus of the company is a natural gas utility company; and

Similar character in areas such as revenue, market capitalization and number of customers.

After considering this criteria and recommendations from both its independent executive compensation consultant and management, the companies listed below were chosen by the Committee to comprise the 2017 peer group. The Committee believes referencing these peers is appropriate when reviewing our executive compensation programs.

Alliant Energy Corporation	Pinnacle West Capital Corporation
Atmos Energy Corporation	PNM Resource Inc.
Avista Corporation	Portland General Electric Company
El Paso Electric Company	South Jersey Industries, Inc.
IDACORP Inc.	Southwest Gas Corporation
New Jersey Resources Corporation	Spire, Inc.
Northwest Natural Gas Company	Vectren Corporation



Northwestern Corporation

WGL Holdings, Inc.

**ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

**37**



**Table of Contents**

The Committee evaluates the composition of the peer group at least annually and makes appropriate changes, as necessary. For 2017, the benchmarking peer group remains unchanged from the 2016 peer group.

The Committee assessed the market competitiveness of our NEOs' compensation based on the data provided by its independent executive compensation consultant. This data includes the market benchmarks at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles for consideration for the following compensation components:

Base salary;

STI target;

Target total cash compensation (base salary + target STI);

Target annualized grant date value of LTI awards; and

Target total direct compensation (target total cash compensation + LTI awards).

**ELEMENTS OF OUR EXECUTIVE COMPENSATION PROGRAM FOR 2017**

This section describes each component of compensation we pay to our executives. Information regarding how compensation is determined is found in the section "How We Determine Pay" set forth above.

Compensation Element	Objective	Type of Compensation
Base Salary	Provides continuous income to appropriately motivate and retain our executives based on a competitive market analysis and consideration for experience, performance and internal equity.	Annual cash compensation
STI Awards	Aligns executives' efforts with the interests of our stakeholders by providing a financial cash incentive tied directly to key measures of the company's financial and operational performance aligned with our long-term strategy.	Annual cash compensation, earned based on performance against pre-established

	Awards can be modified based on individual performance.	goals and individual performance
RSUs	Promotes the alignment of our executives' interests with those of our stakeholders, supports long-term equity ownership and promotes retention through the service-vesting requirement.	Time-based restricted stock units that cliff vest in three years
PSUs	Provides performance incentives to our executives to align their interests and performance with our stakeholders by rewarding sustained share price performance and promotes retention through the service-vesting requirement.	Performance-based stock units that vest based on relative TSR over a three-year period

**2017 PERFORMANCE AND COMPENSATION DECISIONS**

**Base Salary**

The majority of compensation delivered to our NEOs is based on performance. Base salaries for our NEOs are set at levels that enable the company to attract, retain, and engage our team. For the CEO, the base salary component is roughly equal to his STI opportunity. This balanced approach aligns with our pay-for-performance compensation philosophy. The Committee considered the results of the market benchmarking analysis, the CEO's recommendation, each NEO's individual experience and sustained performance, internal equity and the compensation practices of our peer group to approve the following base salaries for 2017:

Name	Base Salary		Dollar Increase	Percentage Increase
	Base Salary as of January 1, 2016	Base Salary effective as of January 1, 2017		
Pierce H. Norton	\$700,000	\$720,000	\$ 20,000	3%
Curtis L. Dinan	\$435,000	\$435,000	\$ 0	0%
Caron A. Lawhorn	\$360,000	\$360,000	\$ 0	0%

Robert S. McAnnally	\$325,000	\$350,000	\$ 25,000	8%
Joseph L. McCormick	\$310,000	\$325,000	\$ 15,000	5%

**38** **ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

These increases for Mr. Norton, Mr. McAnnally and Mr. McCormick are based on their performance and bring their base salaries closer to the market positioning identified by the independent executive compensation consultant. The base salaries for Mr. Dinan and Ms. Lawhorn remained the same as 2016 due to their market positioning.

**Short-Term Incentive**

Our 2017 STI awards were based on four measures one financial and three operational which are all focused on safety:

Measure	Weighting	Definition
<b>Diluted Earnings Per Share ( EPS )</b>	70%	Based on net income as determined in accordance with generally accepted accounting principles, divided by the daily weighted-average number of common shares outstanding for the year ended December 31, 2017, plus fully vested shares that have not been issued and unvested stock awards granted under our compensation plans, but only to the extent the awards dilute earnings per share.
<b>Total Recordable Incident Rate ( TRIR )</b>	10.0%	The number of OSHA incidents times 200,000 work hours divided by the sum of actual hours worked.
<b>Preventable Vehicle Incident Rate ( PVIR )</b>	10%	The number of preventable vehicle incidents per 1,000,000 miles driven.
<b>Days Away, Restricted or Transferred ( DART )</b>	10%	The sum of OSHA incidents resulting in missed workdays, health-related work restrictions and job transfers times 200,000 work-hours divided by the sum of actual hours worked.

We believe that EPS is an appropriate measure to be used in determining short-term incentive compensation since it is:

transparent and reflects the growth and performance of our operations;

a measure that better aligns the interests of our NEOs with the interests of our stakeholders;

widely used by financial analysts and the investing public; and

used by a majority of our peer companies.

Since EPS is a reflection of our financial performance, the Committee has placed a weighting of 70 percent of the overall award on this measure. Safety is one of the company's core values. Safe driving, personal injury prevention, public safety and reducing the severity of injuries are priorities. The Committee reinforces the importance of safety by including three measures in the STI. In addition to these four measures, there is an individual performance modifier ranging from 0-125 percent used to recognize each executive's individual performance against pre-established goals and objectives that support the company's continued success such as:

strategic planning and execution;

succession planning with a focus on developing, retaining and attracting a high performing workforce;

communication (internal and external); and

industry and community leadership.

Each NEO has a target opportunity that is established at the beginning of each performance year. Annually, the Committee reviews the STI target opportunities for each NEO. The STI target opportunities of the NEOs remained unchanged as compared with 2016.

Name	2017 STI Target Opportunity as a Percentage of Base Salary
Pierce H. Norton II	90%
Curtis L. Dinan	65%

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Caron A. Lawhorn	65%
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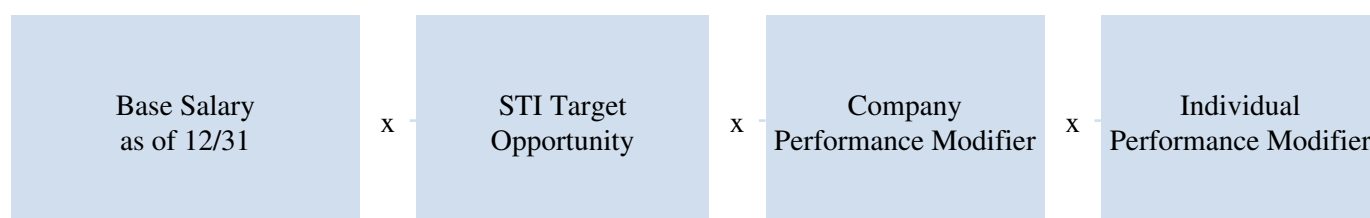
Robert S. McAnnally 65%

Joseph L. McCormick	55%
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**Table of Contents**

For 2017, NEOs could earn up to 150 percent of their STI target opportunity if maximum company performance goals are achieved. If threshold company performance goals are achieved, the threshold payout is 50 percent of each NEOs target opportunity. After achievement of the threshold award for any measure, the actual award percentage is interpolated for performance between threshold and target or target and maximum. No annual incentive is earned if the company's performance is below the threshold goal.

Individual awards under our STI plan are calculated using the following formula:



The Committee engages in a rigorous process with its independent executive compensation consultant and management to determine the annual STI measures and potential awards. At its February 2017 meeting, the Committee established the threshold, target and maximum performance goals for the 2017 STI measures. The EPS target was set based on the 2017 strategic and financial plan with consideration given to the company's 2016 EPS performance. The year-over-year improvement from 2016 actual performance to the 2017 target was an increase of 13 percent. For the operational goals, the Committee set the TRIR target at 10 percent below the actual results for 2016. The DART target was set at 5 percent improvement from our 2016 performance. The PVIR target was set at a 15 percent improvement over 2016.

Criteria	2017 Plan			Weight	2017 Actual Results			Payout Percent Based on Results at December 31, 2017
	Threshold (50% of Target)	Target (100% of Target)	Maximum (150% of Target)		Percentage Payable at Target	Percentage Payable at Maximum	Results at December 31, 2017	
EPS	\$2.84	\$2.99	\$3.14	70%	70%	105%	\$3.08	90.3%
TRIR	1.53	1.38	1.24	10%	10%	15%	1.19	15.0%

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PVIR	2.01	1.75	1.49	10%	10%	15%	1.80	9.0%
DART	0.75	0.65	0.55	10%	10%	15%	0.46	15.0%
Company Performance Modifier:								129.3%

For each performance measure in the table above, no incentive amount would be paid for that measure unless the company's actual result exceeds the established threshold levels. If the company's actual results are below the threshold level, the percentage payable for that measure is zero. If our actual results are between the stated performance levels, the percentage payable is interpolated between threshold and target or target and maximum. The CEO evaluated the 2017 individual performance of each NEO through our annual performance assessment process. The CEO's recommended individual performance modifiers for the NEOs are reviewed and approved, if appropriate by the Committee. The Committee, together with the Corporate Governance Committee, evaluates the CEO's performance against his pre-established goals and objectives to determine the individual performance modifier for the CEO. The Committee determined that the CEO had met the 2017 goals and assigned a rating of 100 percent for his individual performance. Individual performance modifiers for the other NEOs ranged from 101 percent to 112 percent.

Below are the STI awards, reflecting the actual performance against target and the individual performance modifiers applied for each of our NEOs for the 2017 plan year that were paid in March 2018:

Name	Base Salary as of December 31, 2017	STI Target Opportunity	Company Performance Modifier	Individual Performance Modifier	STI Award
Pierce H. Norton II	\$720,000	90%	129.3%	100%	\$838,000



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Curtis L. Dinan	\$435,000	65%	129.3%	110%	\$400,000
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Caron A. Lawhorn	\$360,000	65%	129.3%	101%	\$305,000
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Robert S. McAnnally	\$350,000	65%	129.3%	109%	\$320,000
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Joseph L. McCormick	\$325,000	55%	129.3%	112%	\$260,000
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### Long-Term Incentives

During 2017, we granted LTI awards to our NEOs under our Equity Compensation Plan ( ECP ) consisting of PSUs and RSUs. The grants were awarded as 80 percent PSUs and 20 percent RSUs. The Committee believes that this weighting further strengthens executive officers' alignment with our stakeholders by only vesting PSUs based on how well the company performs compared to its peer group.

**40**      **ONE Gas, Inc.** Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

**Table of Contents**

The overall grant values were determined based on the market benchmarking data provided by our independent executive compensation consultant and the individual performance of each NEO, among other factors.

Name	Value of PSUs	Value of RSUs	Value of 2017 Equity Grant *
Pierce H. Norton II	\$1,199,438	\$300,659	\$1,500,097
Curtis L. Dinan	\$ 319,850	\$ 79,963	\$ 399,813
Caron A. Lawhorn	\$ 319,850	\$ 79,963	\$ 399,813
Robert S. McAnnally	\$ 279,869	\$ 70,367	\$ 350,236
Joseph L. McCormick	\$ 260,678	\$ 65,569	\$ 326,247

\* Represents the grant date value approved by the Committee. The values displayed in the Summary Compensation Table represent the accounting value of the PSUs.

Based on compensation data reviewed by the Committee, the 2017 LTI awards for Messrs. Norton and McAnnally were increased based on performance and to better align with their market positioning for LTI and target total compensation.

*Performance Stock Units*

PSUs are payable in common stock based on our TSR relative to the peer group approved by the Committee as shown below over a three-year performance period. In addition to encouraging retention, we believe that PSUs provide incentives to our executives that align their interests and performance with those of our stakeholders through increased share ownership. The actual payout of the PSUs can range from 0 percent to 200 percent of the units originally awarded, as set by the Committee, depending upon the company's relative three-year TSR. This structure is aligned with industry practices.

TSR is the total return on a company's stock over the performance period with dividends reinvested into company stock as they are accrued. The number of PSUs awarded at the time of vesting is based on our TSR positioning as a percentage basis at the end of the three-year performance period as set forth in the following chart. If the actual TSR percentile rank falls between the stated percentile ranks set forth in the chart, the payout percentage is interpolated between the percentile rank above and below the actual percentile rank. No PSUs are earned if our TSR ranking at the end of the performance period is below the 25<sup>th</sup> percentile.

Percentile Rank	Payout (as a % of Target)
90th percentile and above	200%
75th percentile	150%
50th percentile	100%
25th percentile	50%
Below the 25th percentile	0%

During the three-year performance period, NEOs have their accounts credited with an amount equal to all ordinary cash dividends that would have been paid as if shares were issued on the grant date. The dividend equivalents are deemed to be reinvested. If a NEO forfeits any PSUs, the dividend equivalent is also forfeited. Dividend equivalents are also applied to the number of PSUs earned based on the company's performance factor.

The Committee approved the following peer group for the 2017 PSU grant. These companies are like ONE Gas in having:

Notable gas utility operations;