

RAYONIER ADVANCED MATERIALS INC.

Form DEF 14A

March 23, 2015

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ o

Check the appropriate box:

☐ o Preliminary Proxy Statement

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

☒ x Definitive Proxy Statement

☐ o Definitive Additional Materials

☐ o Soliciting Material Pursuant to §240.14a-12

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☒ x No fee required.

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

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

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Corporate Headquarters

March 23, 2015

Dear Stockholder:

You are cordially invited to attend our Annual Meeting of Stockholders on May 14, 2015, at the Omni Jacksonville Hotel, 245 Water Street, Jacksonville, Florida, at 4:00 p.m. local time. In the following Notice of 2015 Annual Meeting and Proxy Statement, we describe the matters you will be asked to vote on at the meeting.

We are pleased to utilize the Securities and Exchange Commission rules allowing us to furnish our proxy materials to you over the Internet. We believe this allows us to provide the information you need in a more timely, efficient and cost-effective manner.

Your vote is very important. I urge you to vote on the Internet, by telephone or by mail in order to be certain that your stock is represented at the meeting, even if you plan to attend.

By: /s/ Paul G. Boynton  
Paul G. Boynton  
Chairman, President and Chief Executive Officer

Rayonier Advanced Materials Inc. 1301 Riverplace Boulevard, Suite 2300 Jacksonville, FL 32207  
Telephone (904) 357-4600 Fax (904) 357-9101

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Corporate Headquarters

March 23, 2015

**NOTICE OF 2015 ANNUAL MEETING**

Notice is hereby given that the 2015 Annual Meeting of Stockholders of Rayonier Advanced Materials Inc., a Delaware corporation, will be held at the Omni Jacksonville Hotel, 245 Water Street, Jacksonville, Florida on Thursday, May 14, 2015 at 4:00 p.m. local time, for purposes of:

- 1)reelecting the three Class I directors to terms expiring in 2018;
- 2) approving, in a non-binding vote, the compensation of our named executive officers as disclosed in the attached Proxy Statement;
- 3) recommending, in a non-binding vote, whether a non-binding stockholder vote to approve the compensation of our named executive officers should occur every one, two or three years;
- 4)ratifying the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2015; and
- 5)acting upon such other matters as may properly come before the meeting.

All Rayonier Advanced Materials stockholders of record at the close of business on March 16, 2015 are entitled to vote at the meeting.

We urge you to vote your stock over the Internet, by telephone or through the mail at your earliest convenience.

By: /s/ Michael R. Herman  
Michael R. Herman  
Corporate Secretary

Rayonier Advanced Materials Inc. 1301 Riverplace Boulevard, Suite 2300 Jacksonville, FL 32207  
Telephone (904) 357-4600 Fax (904) 357-9101

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PROXY STATEMENT

2015 Annual Meeting of Stockholders of Rayonier Advanced Materials Inc.  
Thursday, May 14, 2015

The 2015 Annual Meeting of Stockholders of Rayonier Advanced Materials Inc. (the “Annual Meeting”) will be held on May 14, 2015, for the purposes set forth in the accompanying Notice of 2015 Annual Meeting. This Proxy Statement and the accompanying proxy card are furnished in connection with the solicitation by the Board of Directors of proxies to be used at the meeting and at any adjournment of the meeting. We may refer to Rayonier Advanced Materials Inc. in this Proxy Statement as “we”, “us”, “our”, the “Company” or “Rayonier Advanced Materials”.

GENERAL INFORMATION ABOUT THIS PROXY STATEMENT AND THE ANNUAL MEETING

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting

We are utilizing the Securities and Exchange Commission (the “SEC”) rules that allow companies to furnish proxy materials to stockholders via the Internet. If you received a Notice of Internet Availability of Proxy Materials (the “Internet Notice”) by mail, you will not receive a printed copy of the proxy materials unless you specifically request one. The Internet Notice tells you how to access and review the Proxy Statement and our 2014 Annual Report to Stockholders (the “Annual Report”), which includes our 2014 Annual Report on Form 10-K, including financial statements, as well as how to submit your proxy over the Internet. If you received the Internet Notice and would still like to receive a printed copy of our proxy materials, simply follow the instructions for requesting printed materials included in the Internet Notice.

The Internet Notice, these proxy solicitation materials and our Annual Report were first made available on the Internet and mailed to certain stockholders on or about March 23, 2015.

The Notice of 2015 Annual Meeting, this Proxy Statement and our Annual Report are available at [www.ProxyVote.com](http://www.ProxyVote.com).

QUESTIONS AND ANSWERS

Q: WHAT AM I VOTING ON?

You are being asked by the Company to vote on four matters: (1) the reelection of three Class I directors: James F. Kirsch, James H. Miller and Ronald Townsend (information about each nominee is included in the “Information as to Nominees for Election to the Board of Directors” section); (2) the approval, in a non-binding vote, of the compensation of our named executive officers as disclosed in this Proxy Statement (referred to herein as “Say on Pay”, more information can be found in the “Advisory Vote on Say on Pay” section); (3) the recommendation, in a non-binding vote, of whether a non-binding stockholder vote to approve the compensation of our named executive officers as disclosed in the Company's proxy statement should occur every one, two or three years (referred to herein as “Say When on Pay”, more information can be found in the “Advisory Vote on Say When on Pay” section); and (4) the ratification of Ernst & Young LLP as the Company’s independent registered public accounting firm for 2015 (more information can be found in the “Ratification of Independent Registered Public Accounting Firm” section). The Board of Directors recommends that you vote “FOR” each of the director nominees listed above, “ONE YEAR” for the Say When on Pay proposal, and “FOR” each of the other proposals.

Q: WHO IS ENTITLED TO VOTE?

A: The record holder of each of the 42,837,741 shares of Rayonier Advanced Materials common stock (“Common Stock”) outstanding at the close of business on March 16, 2015 is entitled to one vote for each share of stock owned.

Q: HOW DO I VOTE?

A: You can vote in any one of the following ways:

• You can vote on the Internet by following the “Vote by Internet” instructions on your Internet Notice or proxy card.

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You can vote by telephone by following the “Vote by Phone” instructions on the [www.ProxyVote.com](http://www.ProxyVote.com) website referred to in the Internet Notice, or, if you receive hard copies of the proxy solicitation materials, by following the “Vote by Phone” instructions referred to in your proxy card.

If you receive hard copies of the proxy solicitation materials, you can vote by mail by signing and dating your proxy card and mailing it in the provided prepaid envelope. If you mark your voting instructions on the proxy card, your stock will be voted as you instruct. If you return a signed and dated card but do not provide voting instructions, your stock will be voted in accordance with the recommendations of the Board of Directors.

You can vote in person at the Annual Meeting by delivering a completed proxy card or by completing a ballot available upon request at the meeting. However, if you hold your stock in a bank or brokerage account rather than in your own name, you must obtain a legal proxy from your stockbroker in order to vote at the meeting.

Regardless of how you choose to vote, your vote is important and we encourage you to vote promptly.

### **Q: HOW DO I VOTE STOCK THAT I HOLD THROUGH AN EMPLOYEE BENEFIT PLAN SPONSORED BY THE COMPANY?**

**A:** If you hold Common Stock of the Company through any of the following employee benefit plans, you vote them by following the instructions above:

Rayonier Advanced Materials Inc. Investment and Savings Plan for Salaried Employees

Rayonier Advanced Materials Inc. Jesup Mill Savings Plan for Hourly Employees

Rayonier Advanced Materials Inc. Fernandina Mill Savings Plan for Hourly Employees

Note that if you do not vote your stock held in any of these Company employee benefit plans or do not specify your voting instructions on your proxy card, the trustee of the employee benefit plans will vote your plan stock in the same proportion as the stock for which voting instructions have been received. To allow sufficient time for voting by the trustee, your voting instructions for employee benefit plan stock must be received by May 11, 2015.

### **Q: WHAT DO I NEED TO DO TO ATTEND THE ANNUAL MEETING?**

**A:** To attend the Annual Meeting, you will need to bring (1) proof of ownership of Common Stock as of the record date, which is the close of business on March 16, 2015 and (2) a valid government-issued photo identification. If you are a stockholder of record, proof of ownership can include your proxy card or the Internet Notice. If your stock is held in the name of a broker, bank or other holder of record, you must present proof of your beneficial ownership, such as a proxy obtained from your street name nominee (particularly if you want to vote your stock at the Annual Meeting) or a bank or brokerage account statement (in which case you will not be able to vote your stock at the Annual Meeting), reflecting your ownership of Common Stock as of the record date. If you do not have proof of ownership together with a valid picture identification, you will not be admitted to the meeting.

Admission to the Annual Meeting is limited to stockholders as of the record date and one immediate family member; one individual properly designated as a stockholder’s authorized proxy holder; or one qualified representative authorized to present a stockholder proposal properly before the meeting.

No cameras, recording equipment, large bags, briefcases, or packages will be permitted in the Annual Meeting. The Company may implement additional security procedures to ensure the safety of the meeting attendees.

### **Q: IS MY VOTE CONFIDENTIAL?**

**A:** Proxy cards, ballots and reports of Internet and telephone voting results that identify individual stockholders are mailed or returned directly to Broadridge Financial Services, Inc. (“Broadridge”), our vote tabulator, and handled in a manner that protects your privacy. Your vote will not be disclosed except:

as needed to permit Broadridge and our inspector of elections to tabulate and certify the vote;

as required by law;

if we determine that a genuine dispute exists as to the accuracy or authenticity of a proxy, ballot or vote; or

in the event of a proxy contest where all parties to the contest do not agree to follow our confidentiality policy.

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**Q: WHAT STOCK IS COVERED BY MY INTERNET NOTICE OR PROXY CARD?**

**A:** You should have been provided an Internet Notice or proxy card for each account in which you own Common Stock either:

directly in your name as the stockholder of record, which includes stock purchased through any of our employee benefit plans; or

indirectly through a broker, bank or other holder of record.

**Q: WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE INTERNET NOTICE OR PROXY CARD?**

It means that you have multiple accounts in which you own Common Stock. Please vote all stock in each account for which you receive an Internet Notice or proxy card to ensure that all your stock is voted. However, for your convenience we recommend that you contact your broker, bank or our transfer agent to consolidate as many

**A:** accounts as possible under a single name and address. Our transfer agent is Computershare. All communications concerning stock you hold in your name, including address changes, name changes, requests to transfer stock and similar issues, can be handled by making a toll-free call to Computershare at 1-866-246-0322. From outside the U.S. you may call Computershare at 201-680-6578.

**Q: HOW CAN I CHANGE MY VOTE?**

**A:** You can revoke your proxy and change your vote by:

voting on the Internet or by telephone before 11:59 p.m. Eastern Daylight Time on the day before the Annual Meeting or, for employee benefit plan stock, the cut off date noted above (only your most recent Internet or telephone proxy is counted);

signing and submitting another proxy card with a later date at any time before the polls close at the Annual Meeting;

giving timely written notice of revocation of your proxy to our Corporate Secretary at 1301 Riverplace Boulevard, Suite 2300, Jacksonville, Florida 32207; or

voting again in person before the polls close at the Annual Meeting.

**Q: HOW MANY VOTES ARE NEEDED TO HOLD THE MEETING?**

In order to conduct the Annual Meeting, a majority of the Common Stock outstanding as of the close of business on March 16, 2015 must be present, either in person or represented by proxy. All stock voted pursuant to properly

**A:** submitted proxies and ballots, as well as abstentions and stock voted on a discretionary basis by banks or brokers in the absence of voting instructions from their customers, will be counted as present and entitled to vote for purposes of satisfying this requirement.

**Q: HOW MANY VOTES ARE NEEDED TO ELECT THE NOMINEES FOR DIRECTOR?**

The affirmative vote of a majority of the votes cast with respect to each nominee at the Annual Meeting is

**A:** required to elect that nominee as a director. For this proposal, a majority of the votes cast means that the number of votes "FOR" a nominee must exceed the number of votes "AGAINST" a nominee. Abstentions will therefore not affect the outcome of director elections.

Please note that under New York Stock Exchange ("NYSE") rules, banks and brokers are not permitted to vote the uninstructed stock of their customers on a discretionary basis (referred to as "broker non-votes") in the election of directors. As a result, if you hold your stock through an account with a bank or broker and you do not instruct your bank or broker how to vote your stock in the election of directors, no votes will be cast on your behalf in the election of directors. Because broker non-votes will have no effect on the outcome of the vote, it is critical that you instruct your bank or broker if you want your vote to be counted in the election of directors.

**Q: HOW MANY VOTES ARE NEEDED TO APPROVE THE "SAY ON PAY" PROPOSAL?**

The vote on the Say on Pay proposal is advisory only and non-binding on the Company or our Board of

**A:** Directors. The proposal will be approved on a non-binding, advisory basis if the number of votes cast "FOR" the proposal exceeds the number of votes cast "AGAINST" it. Abstentions therefore will not affect the outcome of the proposal.

Banks and brokers are not permitted to vote uninstructed stock for any Company proposals relating to executive compensation. As a result, if you hold your stock through an account with a bank or broker and you do not instruct your bank or broker how to vote your stock on this proposal, no votes will be cast on your behalf with regard to approval of the proposal. Because





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broker non-votes will have no effect on the outcome of the vote, it is critical that you instruct your bank or broker if you want your vote to be counted in the approval of the proposal.

**Q: HOW MANY VOTES ARE NEEDED TO APPROVE THE “SAY WHEN ON PAY” PROPOSAL?**

The vote on the Say When on Pay proposal is advisory only and non-binding on the Company or our Board of Directors. However, the Company will report the results of the vote and will announce when the next Say on Pay proposal will be presented for a stockholder vote.

Banks and brokers are not permitted to vote uninstructed stock for any company proposals relating to executive compensation, which includes this Say When on Pay vote. As a result, if you hold your stock through an account with a bank or broker and you do not instruct your bank or broker how to vote your stock on the Say When on Pay proposal, no votes will be cast on your behalf on the recommendation of whether a stockholder vote to approve the compensation of our named executive officers as disclosed in the Company’s proxy statement should occur every one, two or three years. Because broker non-votes will have no effect on the outcome of the vote, it is critical that you instruct your bank or broker if you want your vote to be counted in the recommendation of a frequency under the Say When on Pay proposal.

**Q: HOW MANY VOTES ARE NEEDED TO APPROVE THE RATIFICATION OF THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM?**

The proposal to ratify the appointment of the Company’s independent registered public accounting firm will be approved if the number of votes cast “FOR” the proposal exceeds the number of votes cast “AGAINST” it. As a result, abstentions will not affect the outcome. We do not anticipate that there will be any broker non-votes with regard to the proposal.

**Q: WILL ANY OTHER MATTERS BE VOTED ON?**

We do not expect any other matters to be considered at the Annual Meeting. However, if a matter not listed on the Internet Notice or proxy card is legally and properly brought before the Annual Meeting, the proxies will vote on the matter in accordance with their judgment of what is in the best interest of our stockholders. Under the Company’s bylaws, given that the Annual Meeting is the first to be conducted by the Company, all stockholder proposals and director nominations must have been received in accordance with SEC regulations under Rule 14a-8 to be considered for inclusion in this Proxy Statement. As of March 16, 2015, we had not received any stockholder proposals or director nominations from stockholders to be acted upon at the Annual Meeting.

**Q: WHO WILL COUNT THE VOTES?**

Representatives of Broadridge will count the votes, however submitted. A Company representative will act as inspector of elections.

**Q: HOW WILL I LEARN THE RESULTS OF THE VOTING?**

We will announce the voting results of the proposals at the Annual Meeting and on a Form 8-K to be filed with the SEC no later than four business days following the Annual Meeting.

**Q: WHO PAYS THE COST OF THIS PROXY SOLICITATION?**

The Company pays the costs of soliciting proxies and has retained The Proxy Advisory Group, LLC to assist in the solicitation of proxies and provide related advice and informational support. For these services, the Company will pay The Proxy Advisory Group, LLC a services fee and reimbursement of customary expenses, which are not expected to exceed \$23,500 in the aggregate. The Company will also reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of the Common Stock. Additionally, directors, officers and employees may solicit proxies on behalf of the Company by mail, telephone, facsimile, email and personal solicitation. Directors, officers and employees will not be paid additional compensation for such services.

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**Q: WHEN ARE STOCKHOLDER PROPOSALS FOR THE 2016 ANNUAL MEETING OF STOCKHOLDERS DUE?**

**A:** For a stockholder proposal (other than a director nomination) to be considered for inclusion in the Company's proxy statement for the 2016 Annual Meeting of Stockholders (the "2016 Annual Meeting"), the Company's Corporate Secretary must receive the written proposal at our principal executive offices no later than the close of business on November 24, 2015. Such proposals also must comply with SEC regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. The submission of a proposal in accordance with these requirements does not guarantee we will include the proposal in our proxy statement or on our proxy card. Proposals should be addressed to:

Corporate Secretary  
Rayonier Advanced Materials Inc.  
1301 Riverplace Boulevard, Suite 2300  
Jacksonville, Florida 32207

For a stockholder proposal (including a director nomination) to be properly brought before the stockholders at the 2016 Annual Meeting outside of the Company's proxy statement, the stockholder must comply with the requirements of the Company's bylaws and give timely notice in accordance with such bylaws, which, in general, require the notice be received by the Corporate Secretary: (i) no earlier than the close of business on January 15, 2016; and (ii) no later than the close of business on February 14, 2016.

If the date of the 2016 Annual Meeting is moved more than 30 days before or more than 60 days after May 14, 2016, then notice of a stockholder proposal that is not intended to be included in the Company's proxy statement must be received no earlier than the close of business 120 days prior to the meeting and not later than the close of business on the later of: (a) 90 days prior to the meeting; or (b) if the first public announcement of the date of the 2016 Annual Meeting is less than 100 days prior to the date of such meeting, 10 days after public announcement of the meeting date.

We strongly encourage any stockholder interested in submitting a proposal for the 2016 Annual Meeting to contact our Corporate Secretary at (904) 357-4600 prior to submission in order to discuss the proposal.

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SEPARATION OF THE COMPANY FROM RAYONIER INC.

On June 27, 2014, the Company became an independent, publicly-traded company as a result of the distribution by Rayonier Inc. (“Rayonier”) of 100% of the outstanding Common Stock of the Company to Rayonier’s shareholders, which we refer to as the “Separation”. Each Rayonier shareholder of record as of the close of business on June 18, 2014 (the “Record Date”) received one share of Common Stock for every three Rayonier common shares held as of the Record Date. The Company was incorporated in Delaware as a wholly owned subsidiary of Rayonier on January 16, 2014 and is comprised of Rayonier’s former performance fibers business. The Company’s Registration Statement on Form 10 was declared effective by the SEC on June 13, 2014. The Common Stock began trading “regular-way” under the ticker symbol “RYAM” on the NYSE on June 30, 2014. For additional information, please see our Information Statement, which is attached as Exhibit 99.1 to the Company’s Current Report on Form 8-K filed with the SEC on June 18, 2014.

ITEM 1 - ELECTION OF DIRECTORS

The Board of Directors is responsible for establishing overall corporate policy and for overseeing management and the ultimate performance of the Company. The Board reviews strategy and significant developments affecting the Company and acts on matters requiring Board approval. The Board held six meetings during fiscal year 2014, which for the Company commenced on June 27, 2014 (the date of Separation) and ended on December 31, 2014. During fiscal year 2014, all directors attended at least 75% of the combined total of (i) all Board meetings and (ii) all meetings of committees of the Board of which the director was a member.

The Board consists of three classes, each comprised of three directors. Commencing at the 2015 Annual Meeting, directors for each class will be elected at the annual meeting of stockholders held in the year in which the term for that class expires and thereafter will serve for a term of three years. The terms of the Class I directors expire at the 2015 Annual Meeting and such directors are presented for reelection. The terms of the Class II directors will expire at the 2016 Annual Meeting with the terms of the Class III directors set to expire at the 2017 Annual Meeting of Stockholders.

Accordingly, stockholders are being asked to vote on the reelection of the three Class I directors, each to serve until the 2018 Annual Meeting of Stockholders and their successors are duly elected and qualified. The Board has no reason to believe any nominee will be unable to serve as a director. If, however, a nominee should be unable to serve at the time of the Annual Meeting, Common Stock properly represented by valid proxies will be voted in connection with the election of a substitute nominee recommended by the Board. Alternatively, the Board may either allow the vacancy to remain unfilled until an appropriate candidate is located or may reduce the authorized number of directors to eliminate the unfilled seat.

If any incumbent nominee for director should fail to receive the required affirmative vote of a majority of the votes cast with regard to his election, under Delaware law (the Company’s state of incorporation) the director would remain in office as a “holdover” director until his successor is elected and qualified or he resigns, retires or is otherwise removed. In such a situation, our Corporate Governance Principles require the director to tender his resignation to the Board. The Nominating and Corporate Governance Committee (the “Nominating Committee”) would then consider such resignation and make a recommendation to the Board as to whether to accept or decline the resignation. The Board would then make a determination and publicly disclose its decision and rationale within 90 days after receipt of the tendered resignation.

Director Qualifications

We believe the members of our Board of Directors have the proper mix of relevant experience, knowledge and expertise given the Company’s business, together with a level of demonstrated integrity, judgment, leadership and collegiality, to effectively advise and oversee management in executing our strategy. There are no specific minimum qualifications for director nominees other than, as required by our Corporate Governance Principles, no director nominee may stand for election after he or she has reached the age of 74. However, in identifying or evaluating potential nominees, it is the policy of our Nominating Committee to seek individuals who have the knowledge, experience, diversity and personal and professional integrity to be most effective, in conjunction with the other Board

members, in collectively serving the long-term interests of our stockholders. These criteria for Board membership are periodically evaluated by the Nominating Committee taking into account the Company's strategy, its geographic markets, regulatory environment and other relevant business factors, as well as changes, if any, in applicable laws and NYSE listing standards.

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A biography of each member of the Company's Board of Directors, including the three nominees for election, is set forth below. Also included is a statement regarding each director's or nominee's individual qualifications for Board service.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" EACH OF THE THREE NOMINEES NAMED BELOW FOR ELECTION TO THE BOARD OF DIRECTORS.

Information as to Nominees for Election to the Board of Directors

Class I, Terms Expire in 2015

JAMES F. KIRSCH, Age 57 Director Since 2014

Mr. Kirsch served as the Chairman, President and Chief Executive Officer of Ferro Corporation (a leading producer of specialty materials and chemicals) from 2006 to 2012. He joined Ferro in October 2004 as its President and Chief Operating Officer, was appointed Chief Executive Officer and Director in November 2005 and was elected Chairman in December 2006. Prior to that, from 2002 through 2004, he served as President of Quantum Composites, Inc. (a manufacturer of thermoset molding compounds, parts and sub-assemblies for the automotive, aerospace, electrical and HVAC industries). From 2000 through 2002, he served as President and director of Ballard Generation Systems and Vice President for Ballard Power Systems in Burnaby, British Columbia, Canada. Mr. Kirsch started his career with The Dow Chemical Company, where he spent 19 years and held various positions of increasing responsibility, including global business director of Propylene Oxide and Derivatives and Global Vice President of Electrochemicals. He formerly served as a director of Cliffs Natural Resources, Inc. from March 2010 to August 2014. He is a graduate of The Ohio State University.

Mr. Kirsch brings a wealth of senior management experience with major organizations with international operations, and has substantial experience in the areas of specialty materials and chemicals. As a former chairman, president and CEO of a NYSE-listed company, he brings considerable senior leadership experience to the Board and the committees thereof on which he serves.

JAMES H. MILLER, Age 66 Director Since 2014

Mr. Miller served as Chairman of PPL Corporation (an energy and utility holding company) from 2006 until his retirement in March 2012. He also served as Chief Executive Officer of PPL from 2006 to 2011, President from 2005 to 2011 and Executive Vice President and Chief Operating Officer from 2004 to 2005. Mr. Miller joined PPL in 2001 as President of PPL Generation, LLC, a subsidiary that operates power plants in the United States. Previously, Mr. Miller was Executive Vice President of USEC Inc., and President of two ABB Group subsidiaries: ABB Environmental Systems and ABB Resource Recovery Systems. He also served as President of the former UC Operating Services. He began his career in the electric utility industry at the former Delmarva Power & Light Co. Mr. Miller also serves on the Boards of Crown Holdings, Inc., Chicago Bridge & Iron Co. N.A. and AES Corporation. He formerly served as a director of Rayonier Inc. from October 2011 to June 2014 and as a director of LeHigh Gas Partners LP. He earned a bachelor's degree in electrical engineering from the University of Delaware after serving in the U.S. Navy nuclear submarine program.

Mr. Miller brings both domestic and international senior management leadership and experience to our Board. We believe his experience as CEO of a highly regulated public utility company, and his resulting expertise with regard to energy issues, safety, environmental regulation and governmental and regulatory affairs, are particularly relevant to Board oversight of our manufacturing operations.

RONALD TOWNSEND, Age 73 Director Since 2014

Mr. Townsend is an independent communications consultant, based in Jacksonville, Florida since 1997. He retired from Gannett Company (a diversified news and information company) in 1996 after serving 22 years in positions of increasing responsibility, including as President of Gannett Television Group. Mr. Townsend serves on the Board of the Jacksonville Electric Authority and as a trustee of the University of North Florida. He formerly served as a director of Rayonier Inc. from February 2001 to June 2014. Mr. Townsend attended The City University of New York, Bernard Baruch.

Mr. Townsend brings significant experience and expertise in media and public relations to the Board and is experienced in public company governance. We believe his background and expertise, including his political and civic activities in the Jacksonville, Florida area, provide the Board with a unique perspective on high-profile issues facing

our business.

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Information as to Other Directors

Class II, Terms to Expire in 2016

C. DAVID BROWN, II, Age 63 Director Since 2014

Mr. Brown is Chairman of Broad and Cassel (a law firm based in Orlando, Florida), a position he has held since 2000. Previously, he served as Managing Partner of the firm's Orlando office from 1990. He joined the firm in 1980.

Mr. Brown serves on the Board of Directors of CVS Health Corporation and on the Board of Directors of Orlando Health, a not-for-profit healthcare network. Mr. Brown formerly served as a director of Rayonier Inc. from November 2006 to June 2014, as a director of Old Florida National Bank, N.A., and as Chairman of the Board of Trustees for the University of Florida. He holds bachelor's and juris doctorate degrees from the University of Florida.

Over a 35-year legal career, Mr. Brown has developed and demonstrated extensive expertise in public company corporate governance, strategy and finance, as well as extensive experience in structuring corporate transactions, both domestically and internationally. We believe his experience and expertise facilitate our Board's oversight of our corporate strategy, capital structure and commercial transactions.

THOMAS I. MORGAN, Age 61 Director Since 2014

Mr. Morgan is a Partner and Lead Director of the Advisory Board of BPV Capital Management LLC (an investment manager of mutual funds firm). He formerly served as the Chairman of Baker & Taylor, Inc. (a leading distributor of books, videos and music products to libraries, institutions and retailers) from July 2008 to January 2014, and served as the Chief Executive Officer from 2008 to 2012. Mr. Morgan also served as the Chief Executive Officer of Hughes Supply Inc. (a diversified wholesale distributor of construction, repair and maintenance-related products) from 2003 to 2006, as President from 2001 to 2006, and as Chief Operating Officer from 2001 to 2003. Previously, he served as Chief Executive Officer of EnfoTrust Network, Value America and US Office Products. He served for 22 years at Genuine Parts Company in positions of increasing responsibility from 1975 to 1997. Mr. Morgan is a director of Tech Data Corporation and ITT Educational Services, Inc. He formerly served as a director of Rayonier Inc. from January 2012 to June 2014 and as a director of Baker & Taylor, Inc. and Waste Management, Inc. Mr. Morgan holds a bachelor's degree in Business Administration from the University of Tennessee.

Mr. Morgan brings both public and private company leadership and CEO experience and a deep understanding of distribution and global supply chain management. As a result, we believe he is particularly well suited to contribute to Board oversight of overall management and governance issues and our global performance fibers business.

LISA M. PALUMBO, Age 56 Director Since 2014

Ms. Palumbo served as the Senior Vice President, General Counsel and Secretary of Parsons Brinckerhoff Group Inc. (a global consulting firm providing planning, design, construction and program management services for critical infrastructure projects), from 2008 until her retirement in January 2015. Prior to that, Ms. Palumbo served as Senior Vice President, General Counsel and Secretary of EDO Corporation (a defense technology company) from 2002 to 2008. In 2001, Ms. Palumbo served as Senior Vice President, General Counsel and Secretary of Moore Corporation, from 1997 to 2001 she served as Vice President, General Counsel and Secretary of Rayonier Inc. and from 1987 to 1997 she served in positions of increasing responsibility, including Assistant General Counsel and Assistant Secretary for Avnet, Inc. Ms. Palumbo holds bachelor's and juris doctorate degrees from Rutgers University.

With over 27 years of legal experience with international, public and private companies, Ms. Palumbo brings substantial expertise in the areas of law, corporate governance, enterprise risk management, health and safety and compliance. We believe this experience and expertise, together with her prior experience as the General Counsel of Rayonier, uniquely qualify her to contribute to the Board regarding the Company's business and to assist with the Board's oversight of the Company's risk management, legal and compliance responsibilities.

Class III, Terms to Expire in 2017

PAUL G. BOYNTON, Age 50 Director Since 2014

Mr. Boynton is Chairman, President and Chief Executive Officer of the Company, a position he has held since June 2014. Previously he held a number of positions of increasing responsibility with Rayonier, including Senior Vice President, Performance Fibers from 2002 to 2008, Senior Vice President, Performance Fibers and Wood Products from 2008 to 2009, Executive Vice President, Forest Resources and Real Estate from 2009 to 2010, President and Chief Operating Officer from 2010 to 2011, President and Chief Executive Officer from January 2012 to May 2012



and Chairman, President and Chief Executive Officer from May 2012 to June 2014. Mr. Boynton joined Rayonier as Director, Specialty Pulp Marketing and Sales in 1999. Prior to joining

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Rayonier, he held positions with 3M Corporation from 1990 to 1999, including as Global Brand Manager, 3M Home Care Division. Mr. Boynton serves on the Board of Directors of The Brink's Company, is a member of the Board of Directors of the National Association of Manufacturers and sits on the Board of Governors and Executive Committee of the National Council for Air & Stream Improvement. He holds a bachelor's degree in Mechanical Engineering from Iowa State University, an MBA from the University of Iowa and graduated from the Harvard University Graduate School of Business Advanced Management Program.

As a result of Mr. Boynton's service as Rayonier's President and Chief Executive Officer since January 2012 and as Rayonier's Chairman since May 2012, his previous service as Senior Vice President, Performance Fibers and Senior Vice President, Performance Fibers and Wood Products, Mr. Boynton has developed valuable business, management and leadership experience, as well as extensive knowledge of the Company and long-standing relationships with its major customers. We believe this experience at Rayonier, together with his marketing and engineering background, make Mr. Boynton uniquely well suited to contribute to the Board's considerations of operational and strategic decisions and to manage the Company's business.

**MARK E. GAUMOND, Age 64 Director Since 2014**

Mr. Gaumond is the former Americas Senior Vice Chair - Markets of Ernst & Young (a global leader in assurance, tax, transaction and advisory services), a position he held from 2006 to 2010. Previously he served as Ernst & Young's Managing Partner, San Francisco from 2003 to 2006 and as an audit partner on several major clients. Prior to joining Ernst & Young, Mr. Gaumond was a Managing Partner with Arthur Andersen from 1994 to 2002 and a partner in the firm's audit practice from 1986 to 1994. Mr. Gaumond serves on the Boards of Directors of Booz Allen Hamilton Holding Corporation, the Fishers Island Development Corporation and the Walsh Park Benevolent Corporation. He formerly served as a director of Cliffs Natural Resources, Inc. from July 2013 to September 2014, Rayonier Inc. from November 2010 to June 2014, and is a former trustee of the California Academy of Sciences. Mr. Gaumond holds a bachelor's degree from Georgetown University, College of Arts and Sciences and an MBA from the Leonard N. Stern School of Business, New York University. In addition, Mr. Gaumond is a member of The American Institute of Certified Public Accountants.

Mr. Gaumond has 35 years of managerial, financial and accounting experience working extensively with senior management, audit committees and boards of directors of public companies. We believe Mr. Gaumond's experience and financial expertise allow him to significantly contribute to our Board's oversight of the Company's overall financial performance, auditing and controls over financial reporting.

**DELYLE W. BLOOMQUIST, Age 55 Director Since 2014**

Mr. Bloomquist is the President, Global Chemical Business of Tata Chemicals Limited (an inorganic chemical and fertilizer manufacturing company), a position he has held since 2009. Previously, he served as President and Chief Executive Officer of General Chemical Industrial Products (which was acquired by Tata Chemicals in 2008) from 2004 to 2009. Prior to that, Mr. Bloomquist served at General Chemical Group Inc. in positions of increasing responsibility from 1991 to 2004, including Division Vice President and General Manager, Industrial Chemicals and Vice President and Chief Operating Officer. Mr. Bloomquist serves on the Board of Directors of EPM Mining Ventures Inc., Huber Engineered Materials and PDS Biotechnology Corporation. He is a graduate of Brigham Young University and holds an MBA from Carnegie Mellon University.

Mr. Bloomquist has over 25 years of domestic and international experience in the chemicals industry, including in the areas of finance, sales, logistics, operations, IT, strategy and business development, as well as CEO and other senior leadership experience. We believe Mr. Bloomquist's depth and breadth of experience and expertise in the chemicals industry makes him particularly well suited to assist the Board with operational and strategic decisions about the Company's business.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Principles**

Our Board of Directors operates under a set of Corporate Governance Principles, which includes guidelines for determining director independence and consideration of potential director nominees. The Corporate Governance Principles can be found on the Company's website at [www.rayonieram.com](http://www.rayonieram.com). The Board, through its Nominating

Committee, regularly reviews developments in corporate governance and best practices and, as warranted, modifies the Corporate Governance Principles, committee charters and key practices.

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Director Independence

The Company's Common Stock is listed on the NYSE. In accordance with NYSE listing standards, the Board makes affirmative determinations annually as to the independence of each director and nominee for election as a director. To assist in making such determinations, the Board has adopted a set of Director Independence Standards which conform to or are more exacting than the independence requirements set forth in the NYSE listing standards. Our Director Independence Standards are appended to the Company's Corporate Governance Principles, available at [www.rayonieram.com](http://www.rayonieram.com). In applying our Director Independence Standards, the Board considers all relevant facts and circumstances.

Based on our Director Independence Standards, the Board has affirmatively determined that all persons who have served as directors of our Company at any time since June 27, 2014, other than Mr. Boynton, are independent.

The Audit Committee, on behalf of the Board of Directors, annually reviews any transactions undertaken or relationship existing between the Company and other companies in connection with which any of our directors or other "related persons" are affiliated, as required by SEC regulations. The Audit Committee determined that none of the 2014 transactions or relationships identified, were material to the Company, the other companies or the subject directors.

Committees of the Board of Directors

As indicated below, our Board of Directors has three standing committees, each of which operates under a written charter available on the Investor Relations section of the Company's website at [www.rayonieram.com](http://www.rayonieram.com).

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Name of Committee and Members	Functions of the Committee	Number of Meetings in 2014 <sup>(1)</sup>
<b>AUDIT:</b> Mark E. Gaumond, Chair DeLyle W. Bloomquist James F. Kirsch James H. Miller Lisa M. Palumbo Ronald Townsend	<p>This committee is responsible for advising the Board concerning the financial structure of the Company and oversight of our accounting and financial reporting policies, processes and systems of internal control, including:</p> <ul style="list-style-type: none"> <li>• oversight of financial reporting, controls and audit performance;</li> <li>• monitoring the independence and performance of our independent registered public accounting firm, with responsibility for such firm's selection, evaluation, compensation and, if applicable, discharge;</li> <li>• approving, in advance, all of the audit and non-audit services provided to the Company by the independent registered public accounting firm;</li> <li>• facilitating open communication among the Board, senior management, internal audit and the independent registered public accounting firm;</li> <li>• overseeing our enterprise risk management and legal compliance and ethics programs, including our Standard of Ethics and Code of Corporate Conduct;</li> <li>• financings and hedging activity;</li> <li>• risk management program and processes;</li> <li>• investment policies; and</li> <li>• performance of our pension and savings plans.</li> </ul>	6
<b>COMPENSATION AND MANAGEMENT DEVELOPMENT:</b> Thomas I. Morgan, Chair DeLyle W. Bloomquist C. David Brown, II James F. Kirsch Ronald Townsend	<p>This committee is responsible for overseeing the compensation and benefits of employees, including:</p> <ul style="list-style-type: none"> <li>• evaluating management performance, succession and development matters;</li> <li>• establishing executive compensation;</li> <li>• reviewing the Compensation Discussion and Analysis included in the annual proxy statement;</li> <li>• approving individual compensation actions for all senior executives other than our Chief Executive Officer, which is approved by the Board; and</li> <li>•</li> </ul>	3

recommending compensation actions regarding our Chief Executive Officer for approval by our non-management directors.

NOMINATING AND  
CORPORATE  
GOVERNANCE:

James H. Miller, Chair  
C. David Brown, II  
Mark E. Gaumont  
Thomas I. Morgan  
Lisa M. Palumbo

This committee is responsible for advising the Board with regard to Board structure, composition and governance, including:

- establishing criteria for Board nominees and identifying qualified individuals for nomination to become Board members, including engaging advisors to assist in the search process and considering potential nominees recommended by stockholders;
- recommending the structure and composition of Board committees;
- overseeing processes to evaluate Board and committee effectiveness;
- recommending director compensation and benefits programs to the Board;
- overseeing our corporate governance structure and practices, including our Corporate Governance Principles; and
- reviewing and approving changes to the charters of the other Board committees.

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(1) The Company's 2014 fiscal year commenced on the date of the Separation, June 27, 2014, for purposes of calculating the number of meetings held in 2014.

Non-Management Director Meetings and Lead Director

Our non-management directors met separately during six regularly scheduled meetings, chaired by our independent Lead Director, in 2014. Mr. Brown was elected to a two-year term as Lead Director in 2014. The duties and responsibilities of the Lead Director are described below.

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### Board Leadership Structure and Oversight of Risk

Paul Boynton has served as Chairman of the Board of Directors and Chief Executive Officer of the Company since January 2014. We believe, given the Board and committee structure and governance processes discussed in this Proxy Statement, the appropriate leadership structure for our Company is to have a combined Chairman and Chief Executive Officer together with an independent Lead Director, nominated and elected by the independent Board members.

The independent Lead Director has clearly delineated and comprehensive duties, including:

• presiding at all meetings of the Board at which the Chairman/CEO is not present, including executive sessions and separate meetings of the independent directors;

• serving as liaison between the Chairman/CEO and the independent directors;

• approving information sent to the Board;

• approving meeting agendas for the Board;

• approving meeting schedules to assure there is sufficient time for discussion of all agenda items;

• having the authority to call meetings of the independent directors; and

• if requested by major stockholders, ensuring he or she is available for consultation and direct communication.

The combined Chairman and Chief Executive Officer role provides unambiguous reporting lines for management and allows the Company to communicate to customers, suppliers, stockholders, employees and other stakeholders with a single, consistent voice.

The Board oversees risk management at the Company by annually appointing the members of the Enterprise Risk Management (“ERM”) Committee, which consists of senior executives of the Company and which is chaired by the Chief Executive Officer, who also serves as the Company’s Chief Risk Officer. The ERM Committee in turn appoints the members of business unit and staff function-level Risk Assessment and Mitigation teams, which continually identify and assess the material risks facing their respective business or function and submit semi-annual reports to the ERM Committee. These reports form the basis for the ERM Committee’s annual risk assessment whereby risks are evaluated and categorized based on probability, potential impact and the Company’s tolerance for the risk type, and used to develop a list of enterprise-level material risks which are reported to the Audit Committee for review and evaluation of mitigation strategies. The Audit Committee then assigns ongoing Board level oversight responsibility for each material risk to either the full Board or the appropriate Board committee. The ERM Committee’s annual risk assessment with regard to the Company’s overall compensation policies and practices is approved by the Compensation and Management Development Committee. We believe these governance practices, including the interaction of the Board and its committees with our Chief Executive Officer, facilitate effective Board oversight of our significant risks without adversely impacting our Board’s leadership structure.

### Director Attendance at Annual Meeting of Stockholders

Directors are encouraged, but not required, to attend each Annual Meeting of Stockholders.

### Communications with the Board

Stockholders and other interested parties who would like to communicate their concerns to one or more members of the Board, a Board committee, the Lead Director or the independent non-management directors as a group may do so by writing to any such party at Rayonier Advanced Materials Inc., c/o Corporate Secretary, 1301 Riverplace Boulevard, Suite 2300, Jacksonville, Florida 32207. All concerns received will be appropriately forwarded and, if deemed appropriate by the Corporate Secretary, may be accompanied by a report summarizing such concerns.

### Director Nomination Process

Potential director candidates may come to the attention of the Nominating Committee through current directors, management, stockholders and others. It is the policy of our Nominating Committee to consider director nominees submitted by stockholders based on the same criteria used in evaluating candidates for Board membership identified from any other source. The directions for stockholders to submit director nominations for the 2016 Annual Meeting are set forth in the “Questions and Answers” section under “When Are Stockholder Proposals for the 2016 Annual Meeting of Stockholders Due?” The Nominating Committee has





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from time to time utilized independent third-party search firms to identify potential director candidates. In connection with the Separation, an independent third-party search firm assisted in the identification and/or evaluation of Messrs. Bloomquist and Kirsch and Ms. Palumbo.

### Diversity

Our Nominating Committee has not adopted a formal diversity policy in connection with the consideration of director candidates or the selection of nominees. However, the Nominating Committee utilizes a skills-matrix to evaluate the specific personal and professional attributes of each director candidate versus those of the existing Board members to ensure diversity of experience, thought and expertise among our directors. The Nominating Committee assesses such diversity through its annual assessment of Board structure and composition and review of the annual Board and committee performance evaluations.

### Related Person Transactions

Our Board has adopted a written policy designed to minimize potential conflicts of interest in connection with Company transactions with related persons. Our policy defines a “Related Person” to include any director, executive officer or person owning more than five percent of the Company’s stock, any of their immediate family members and any entity with which any of the foregoing persons are employed or affiliated. A “Related Person Transaction” is defined as a transaction, arrangement or relationship in which the Company is a participant, the amount involved exceeds \$120,000 and a Related Person has or will have a direct or indirect material interest.

To implement the policy, each year a Related Person list is compiled based on information obtained from our annual Director and Officer Questionnaires and, after review and consolidation by our Corporate Secretary, is provided to business unit, accounts payable, accounts receivable, financial, legal and communications managers and other persons responsible for purchasing or selling goods or services for the Company. Prior to entering into any transaction with a Related Person, the manager responsible for the potential transaction, or the Related Person, must provide notice to the Corporate Secretary setting out the facts and circumstances of the proposed transaction. If the Corporate Secretary determines the transaction would constitute a Related Person Transaction, it is then submitted for consideration by the Audit Committee, which will approve only those transactions determined to be in, or not inconsistent with, the best interests of the Company and its stockholders. In reviewing Related Person Transactions, the Audit Committee considers:

- the Related Person’s relationship to the Company and interest in any transaction with the Company;
- the material terms of a transaction with the Company, including the type and amount;
- the benefits to the Company of any proposed or actual transaction;
- the availability of other sources of comparable products and services that are part of a transaction with the Company; and
- if applicable, the impact on a director’s independence.

In the event we become aware of a completed or ongoing Related Person Transaction that has not been previously approved, it is promptly submitted to the Audit Committee for evaluation and, if deemed appropriate, ratification.

In addition, each year the persons and entities identified as Related Persons are matched against the Company’s accounts payable and accounts receivable records to determine whether any Related Person participated in a transaction with the Company, regardless of the amount involved. A report of all such transactions is prepared by the Corporate Secretary and reviewed with the Audit Committee to determine if any would constitute a Related Person Transaction under our policy or would require proxy statement disclosure under applicable SEC rules and regulations.

### Transactions with Rayonier

Rayonier was the Company’s sole stockholder prior to the distribution of the Common Stock to Rayonier’s stockholders relating to the Separation. In connection with the Separation, the Company and Rayonier entered into a separation and distribution agreement and other agreements to effect the Separation of the two companies, provide a framework for the Company’s relationship with Rayonier after the Separation and provide for the allocation between the Company and Rayonier of certain assets, employees, liabilities and obligations (including its investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the Company’s separation from Rayonier. Rayonier does not currently hold a sufficient amount of Common Stock for Rayonier to be

deemed a “related party.” Nevertheless, because Rayonier held more than five

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percent of Common Stock in 2014, the Company is required to provide disclosure about certain agreements entered into in connection with the Separation.

The summaries of these agreements are qualified in their entirety by reference to the full text of the applicable agreements, which are listed as exhibits to the Company's 2014 Annual Report on SEC Form 10-K. When used in this section, "distribution date" refers to the date on which Rayonier distributed Common Stock to the holders of Rayonier common shares.

### The Separation Agreement

The separation agreement sets forth, among other things, the Company's agreements with Rayonier regarding the principal transactions necessary to separate the Company from Rayonier. It also sets forth other agreements that govern certain aspects of the Company's relationship with Rayonier after the distribution date.

### Transfer of Assets and Assumption of Liabilities

The separation agreement identifies the assets transferred, the liabilities assumed and the contracts assigned to each of the Company and Rayonier as part of the separation of Rayonier into two companies, and it provides for when and how these transfers, assumptions and assignments occurred.

Except as expressly set forth in the separation agreement or any ancillary agreement, neither the Company nor Rayonier made any representation or warranty as to the assets, business or liabilities transferred or assumed as part of the Separation, as to any approvals or notifications required in connection with the transfers, as to the value of or the freedom from any security interests of any of the assets transferred, as to the absence or presence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other asset of either the Company or Rayonier, or as to the legal sufficiency of any assignment, document or instrument delivered to convey title to any asset or thing of value to be transferred in connection with the Separation. All assets have been or will be transferred on an "as is," "where is" basis and the respective transferees will bear the economic and legal risks that any conveyance will prove to be insufficient to vest in the transferee good and marketable title, free and clear of all security interests, and that any necessary consents or governmental approvals are not obtained or that any requirements of laws, agreements, security interests or judgments are not complied with.

To the extent the transfer or assignment of certain assets and liabilities to Rayonier or the Company, as applicable, did not occur prior to the Separation then, until such assets or liabilities are able to be transferred or assigned, Rayonier or the Company, as applicable, holds such assets on behalf of and for the benefit of the other party and pays, performs and discharges such liabilities, for which the other party reimburses Rayonier or the Company, as applicable, for all commercially reasonable payments made in connection with the performance and discharge of such liabilities.

### The Separation and Distribution

The separation agreement also governs the rights and obligations of the parties regarding the distribution of Common Stock to Rayonier shareholders. On the distribution date, Rayonier distributed to its stockholders that held Rayonier common shares as of the record date all of the issued and outstanding shares of Common Stock on a pro rata basis. Stockholders received cash in lieu of any fractional shares.

### Claims

In general, each party to the separation agreement assumed liability for all pending, threatened and unasserted legal matters related to its own business or its assumed or retained liabilities, and indemnifies the other party for any such assumed or retained legal matters.

### Releases

The Company and its affiliates have released and discharged Rayonier and its affiliates from all liabilities assumed by the Company as part of the Separation, from all acts and events occurring or failing to occur, and all conditions existing, on or before the distribution date relating to the Company's business, and from all liabilities existing or arising in connection with the implementation of the Separation, except as expressly set forth in the separation agreement. Rayonier and its affiliates have released and discharged the Company and its affiliates from all liabilities retained by Rayonier and its affiliates as part of the Separation and from all liabilities existing or arising in connection with the implementation of the Separation, except as expressly set forth in the separation agreement. These releases do not extend to obligations or liabilities under any agreements between the parties that remain in effect following the Separation.



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### Indemnification

The Company agreed to indemnify, defend and hold harmless Rayonier, each of its affiliates and each of their respective directors, officers and employees, from and against all liabilities relating to, arising out of or resulting from: certain liabilities related to the Company's business or assets that were retained by or transferred to the Company (the "Company Liabilities");

the failure of the Company to pay, perform or otherwise promptly discharge any of the Company Liabilities, in accordance with their respective terms, whether prior to, at or after the Separation;

except to the extent relating to a Rayonier Liability, any guarantee, indemnification or contribution obligation for the benefit of the Company by Rayonier that survives the Separation;

any breach by the Company of the separation agreement or any of the ancillary agreements; and

any untrue statement or alleged untrue statement or omission or alleged omission of material fact in the registration statement of which the related information statement forms a part, or in the related information statement (as amended or supplemented), except for any such statements or omissions made explicitly in Rayonier's name.

Rayonier agreed to indemnify, defend and hold harmless the Company, each of its affiliates and each of its respective directors, officers and employees from and against all liabilities relating to, arising out of or resulting from:

all liabilities (including whether accrued, contingent, or otherwise) other than the Company Liabilities that were retained by or transferred to Rayonier (the "Rayonier Liabilities");

the failure of Rayonier or any other person to pay, perform, or otherwise promptly discharge any of the Rayonier Liabilities, in accordance with their respective terms whether prior to, at or after the Separation;

except to the extent relating to a Company Liability, any guarantee, indemnification or contribution obligation for the benefit of Rayonier by the Company that survives the Separation;

any breach by Rayonier of the separation agreement or any of the ancillary agreements; and

any untrue statement or alleged untrue statement or omission or alleged omission of a material fact made explicitly in Rayonier's name in the registration statement of which the related information statement forms a part, or in the related information statement (as amended or supplemented).

The separation agreement also establishes procedures with respect to claims subject to indemnification and related matters.

### Intellectual Property

Following the Separation, Rayonier continued to own the Rayonier name and licenses the Rayonier name for use in the Company name pursuant to an intellectual property agreement, which is described below in the "Intellectual Property Agreement" section.

### Insurance

The separation agreement allocates between the parties the rights and obligations under existing insurance policies with respect to occurrences prior to the Separation and sets forth procedures for the administration of insured claims.

### Further Assurances

Except as otherwise set forth in the separation agreement or in any ancillary agreement, both the Company and Rayonier agreed in the separation agreement to use reasonable best efforts, prior to, on and after the distribution date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by the separation agreement and the ancillary agreements.

### Dispute Resolution

The separation agreement contains provisions that govern, except as otherwise provided in any ancillary agreement, the resolution of disputes, controversies or claims that may arise between the Company and Rayonier related to the Separation or distribution and that are unable to be resolved by the transition committee. These provisions contemplate that efforts will be made

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to resolve disputes, controversies and claims by escalation of the matter to executives of the Company and Rayonier. If such efforts are not successful, either the Company or Rayonier may submit the dispute, controversy or claim to nonbinding mediation or, if such nonbinding mediation is not successful, binding alternative dispute resolution, subject to the provisions of the separation agreement.

### Expenses

Except as expressly set forth in the separation agreement or in any ancillary agreement, or as otherwise agreed in writing by Rayonier and the Company, all costs and expenses incurred in connection with the separation and distribution after the distribution date will be paid by the party incurring such cost and expense.

### Other Matters

Other matters governed by the separation agreement include access to financial and other information, confidentiality, access to and provision of records and treatment of outstanding guarantees and similar credit support.

### Termination

In the event of a termination of the separation agreement, no party, nor any of its directors, officers or employees, will have any liability of any kind to the other party or any other person. The separation agreement may not be terminated except by an agreement in writing signed by both Rayonier and the Company.

### Transition Services Agreement

The Company and Rayonier entered into a transition services agreement pursuant to which the Company and Rayonier and their respective subsidiaries will provide various services on an interim, transitional basis. The services to be provided include information technology, accounts payable, payroll and other financial functions and administrative services. The agreed upon charges for such services generally are intended to allow the servicing party to recover all out-of-pocket costs and expenses of providing such services.

The transition services agreement will terminate on the expiration of the term of the last service provided under it, which generally will be up to 18 months following the distribution date. The recipient for a particular service generally can terminate that service prior to the scheduled expiration date, subject to a minimum service period equal to 30 days and a minimum notice period equal to 10 days. Services can be terminated only at a month-end. Due to interdependencies between services, certain services may be extended or terminated early only if other services are likewise extended or terminated.

Subject to certain exceptions, the liability of Rayonier under the transition services agreement for the services it and its subsidiaries provides generally is limited to gross negligence, willful misconduct and fraud. The transition services agreement also provides the provider of a service shall not be liable to the recipient of such service for any indirect, exemplary, incidental, consequential, remote, speculative, punitive or similar damages.

### Tax Matters Agreement

The Company and Rayonier entered into a tax sharing agreement that generally governs Rayonier's and the Company's respective rights, responsibilities and obligations with respect to taxes, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and assistance and cooperation in respect of tax matters. In general, liabilities for taxes allocable to a tax period (or portion thereof) ending on or before the distribution date that are related to assets and activities of the performance fibers business were allocated to the Company. If such failure of certain of the transactions described in the private letter ruling request and the opinion of counsel to qualify as a tax free transaction for U.S. federal income tax purposes is attributable to the Company's action or inaction or Rayonier's action or inaction, as the case may be, or any event (or series of events) involving the assets or stock of the Company or the assets or stock of Rayonier, as the case may be, the resulting liability will be borne in full by the Company or Rayonier, respectively.

The Company's obligations under the tax matters agreement are not limited in amount or subject to any cap. Further, even if the Company is not responsible for tax liabilities of Rayonier and its subsidiaries under the tax matters agreement, the Company nonetheless could be liable under applicable tax law for such liabilities if Rayonier were to fail to pay them.

In addition, the tax matters agreement contains restrictions on the Company's ability (and the ability of any member of the Company's group) to take actions that could cause the Separation and related transactions to fail to qualify as a tax-free reorganization for U.S. federal income tax purposes, including entering into, approving or allowing any

transaction that results in a sale or other disposition of a substantial portion of the Company's assets or stock and the liquidation or dissolution of the Company and certain of its subsidiaries. These restrictions apply for the two-year period after the Separation, unless the Company obtains

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a private letter ruling from the IRS or an unqualified opinion of a nationally recognized law firm that such action will not cause the Separation or certain related transactions to fail to qualify as tax-free transactions for U.S. federal income tax purposes and such letter ruling or opinion, as the case may be, is acceptable to Rayonier. Notwithstanding receipt of such ruling or opinion, in the event that such action causes the Separation or certain related transactions to fail to qualify as a tax-free transaction for U.S. federal income tax purposes, the Company will continue to remain responsible for taxes arising therefrom.

### **Employee Matters Agreement**

The Company and Rayonier entered into an employee matters agreement to allocate liabilities and responsibilities relating to employment matters, employee compensation and benefits plans and programs and other related matters. The employee matters agreement governs certain compensation and employee benefit obligations with respect to the current and former employees and non-employee directors of each company.

Rayonier generally is responsible for liabilities associated with employees who were employed by Rayonier following the Separation, former employees whose last employment was with the Rayonier businesses and certain specified current and former corporate employees (collectively, the “Rayonier allocated employees”), and the Company generally is responsible for liabilities associated with employees who were employed by the Company following the Separation, former employees whose last employment was with the Company businesses and certain specified current and former corporate employees (collectively, the “Company allocated employees”).

The Company employees generally became eligible to participate in the Company benefit plans as of the Separation in accordance with the terms and conditions of the Company plans as in effect from time to time. Generally, the Company has agreed to establish and maintain (i) welfare benefit arrangements that are substantially similar in the aggregate to those provided by Rayonier to the Company allocated employees immediately prior to the Separation, through at least December 31, 2014 and (ii) retirement benefit and executive severance arrangements with terms that are substantially the same as the corresponding Rayonier arrangements and that provide benefits that are no less favorable than those provided by Rayonier to eligible Company allocated employees immediately prior to the Separation through at least December 31, 2015.

In general, the Company credited each Company allocated employee with his or her service with Rayonier prior to the Separation for all purposes under the Company benefit plans, to the same extent such service was recognized by Rayonier for similar purposes and so long as such crediting does not result in a duplication of benefits.

### **Equity Compensation Awards**

The employee matters agreement provides for the conversion and/or cancellation of the outstanding awards granted under Rayonier’s equity compensation programs into adjusted awards relating to Rayonier common shares and/or the Common Stock.

Each Rayonier stock option generally was converted into an adjusted Rayonier stock option and a Company stock option. The exercise price and number of shares subject to each stock option were adjusted in order to preserve the aggregate intrinsic value of the original Rayonier stock option as measured immediately before and immediately after the Separation, subject to rounding.

Holders of Rayonier restricted stock, including Rayonier non-employee directors, retained those awards and also received restricted stock of the Company, in an amount that reflects the distribution to Rayonier shareholders, by applying the distribution ratio to Rayonier restricted stock awards as though they were unrestricted Rayonier common shares.

Performance share awards outstanding as of the distribution date were treated as follows:

Performance share awards granted in 2012 (with a 2012-2014 performance period) are subject to the same performance criteria as applied immediately prior to the Separation, except that total stockholder return at the end of the performance period will be based on the combined stock prices of Rayonier and the Company and any payment earned will be made in Rayonier common shares and shares of Common Stock.

Performance share awards granted in 2013 (with a 2013-2015 performance period) were cancelled as of the distribution date and, following the effective time of the Separation, Rayonier and the Company, as applicable, replaced the cancelled awards held by their respective employees with time-vested restricted stock units of the post-Separation employer of each holder (Rayonier or the Company, as the case may be) that will vest 24 months after



the distribution date, generally subject to the holder's continued employment. The number of time-vested restricted stock units granted was determined in a manner intended to preserve the intrinsic value of the award immediately before and after the Separation, subject to rounding.

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Performance share awards granted in 2014 (with a 2014-2016 performance period) were cancelled as of the distribution date and, following the effective time of the Separation, Rayonier and the Company, as applicable, replaced the cancelled awards held by their respective employees with performance share awards of the post-Separation employer of each holder (Rayonier or the Company, as the case may be), which are subject to the achievement of performance criteria that relate to the post-Separation business of the applicable employer during a performance period ending December 31, 2016. The number of shares underlying each such performance share award was determined in a manner intended to preserve the intrinsic value of the award immediately before and after the Separation, subject to rounding.

Any dividend equivalent payments on restricted stock or performance share awards in respect to dividends declared after the Separation are paid by Rayonier to Rayonier allocated employees and Rayonier non-employee directors, and by the Company to the Company allocated employees and any former Rayonier non-employee directors serving on the Company Board of Directors as of the Separation. For purposes of vesting for all awards, continued employment with or service to Rayonier or the Company, as applicable, is treated as continued employment with or service to both Rayonier and the Company.

### Intellectual Property Agreement

The Company and Rayonier entered into an intellectual property agreement prior to the Separation, pursuant to which Rayonier provides the Company with a license to (i) use and display certain specified Rayonier trademarks (for example, corporate names, domain names and marks) that incorporate the name Rayonier in a limited field of use relating to the Company's business, (ii) use and make improvements on other intellectual property of Rayonier (for example, copyrights and trade secrets, but not any patents) that was used in the Company business prior to the Separation and (iii) use, reproduce, display and prepare derivative works based upon any and all Rayonier software that was used in the Company business prior to the Separation. Under the intellectual property agreement, the Company provides Rayonier with a license to (i) use and make improvements on certain intellectual property of the Company (for example, copyrights and trade secrets, but not any trademarks or patents) that was used in the Rayonier business prior to the Separation and (ii) use, reproduce, display and prepare derivative works based upon any and all the Company software that was used in the Rayonier business prior to the Separation. The licenses are worldwide, fully paid-up and royalty free. Subject to termination, the licenses are also perpetual and irrevocable.

Under the intellectual property agreement, Rayonier also provided the Company with a worldwide, fully paid-up and royalty free six-month transitional trademark license to use and display other Rayonier trademarks in connection with, among other things, inventory for sale, facilities, buildings, signage, documents and other identifiers.

The intellectual property agreement provides that, if the Company does not use a corporate name incorporating the name Rayonier in active commerce for at least 12 consecutive months, the trademark license will automatically and immediately terminate. A party may terminate the license with respect to any trademark, other intellectual property or software upon an uncured material breach of the other party with respect to such trademark, other intellectual property or software. A licensee under the agreement may also terminate the trademark license, other intellectual property license or software license granted to it upon 30 days' prior written notice to the other party.

In addition, the intellectual property agreement provides that (i) if Rayonier determines to permanently cease using the name Rayonier and the related marks in active commerce, Rayonier will irrevocably assign such name and marks to the Company for aggregate consideration of \$1.00 and (ii) if any licensor of certain intellectual property (for example, copyrights and trade secrets, but not any trademarks or patents) determines to permanently cease using such intellectual property and does not intend to transfer such intellectual property to a third party, such licensor will irrevocably assign such intellectual property to the licensee for aggregate consideration of \$1.00 (but only if such licensee is then using such intellectual property in such licensee's business).

### Standard of Ethics and Code of Corporate Conduct

The Company's Standard of Ethics and Code of Corporate Conduct is available on the Company's website at [www.rayonieram.com](http://www.rayonieram.com).

### Compensation Committee Interlocks and Insider Participation; Processes and Procedures

Each of Messrs. Bloomquist, Brown, Kirsch, Morgan, and Townsend served as a member of our Compensation and Management Development Committee (the "Compensation Committee") during the fiscal year ended December 31,

2014. No member of the Compensation Committee served as one of our officers or employees at any time during 2014 or had any related person transaction or relationship required to be disclosed in this Proxy Statement. None of our executive officers serve, or served during 2014, as a member of the board of directors or compensation committee of a public company with at least one of its executive officers serving on our Board or Compensation Committee.

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COMPENSATION DISCUSSION AND ANALYSIS

Introduction

On May 27, 2014, the Board of Directors of Rayonier Inc. (“Rayonier”) approved the separation of its performance fibers segment from Rayonier to form an independent, publicly traded corporation named Rayonier Advanced Materials Inc. (“Rayonier Advanced Materials”, the “Company”, “we”, “us” or “our”). Subsequently, Rayonier Advanced Materials entered into a separation and distribution agreement with Rayonier, whereby Rayonier agreed to distribute 100% of the outstanding Common Stock of the Rayonier Advanced Materials to Rayonier shareholders. The distribution was made on June 27, 2014 to Rayonier shareholders of record as of the close of business on June 18, 2014 (the “Separation”). As a result of the Separation, we are now an independent public company with our Common Stock listed under the symbol “RYAM” on the NYSE.

This Compensation Discussion and Analysis (“CD&A”) describes the compensation philosophy, programs and practices adopted by the Compensation and Management Development Committee of the Board of Directors of Rayonier Advanced Materials (“Compensation Committee”) for its senior executive officers following the Separation. This CD&A also discusses, in part, the historical compensation philosophy, programs and practices of our former parent Rayonier because, until the completion of the Separation on June 27, 2014, decisions regarding the compensation of our named executive officers were made primarily by the Compensation and Management Development Committee of Rayonier (the “Rayonier Compensation Committee”), and our executive compensation program, at least as an initial matter, remains largely consistent with the executive compensation program in place at our former parent.

As addressed in further detail throughout this CD&A, our initial compensation programs following the Separation are governed largely by the terms of the Employee Matters Agreement, dated June 27, 2014, entered into between us and Rayonier (“Employee Matters Agreement”) in connection with the Separation, which in part, limited the discretion of our Compensation Committee. The Employee Matters Agreement, among other items, provided for the conversion, adjustment and/or cancellation of outstanding equity and incentive awards granted by Rayonier into adjusted Rayonier Advanced Materials awards and also required us to establish and maintain, through at least December 31, 2015, retirement benefit and executive severance arrangements with terms substantially the same as those provided by Rayonier prior to the Separation. While the Employee Matters Agreement placed limitations on the discretion of our Compensation Committee with respect to certain components of our compensation program, certain updates to our compensation program were adopted by our Compensation Committee in March 2015 as described below.

Executive Summary

**2015 Compensation Program Highlights.** In March 2015, in light of current trends and best practices and based on the advice of its compensation consultant, our Compensation Committee took the following actions to better align our compensation program with stockholder interests while complying with requirements under the Employee Matters Agreement:

- Amended our Executive Severance Pay Plan to eliminate entitlement to any excise tax gross-up payments under the plan effective January 1, 2016, and replaced this entitlement with a “net best” provision, and
- Amended our Incentive Stock Plan to generally eliminate automatic acceleration of unvested equity upon a change in control effective January 1, 2016 and, in the amended Executive Severance Pay Plan, implemented “double trigger” vesting provisions for stock option and time-based restricted stock and restricted stock unit awards.

Each of these changes to our program is described in more detail in the “Severance and Change in Control Benefits” section below.

**2014 Results and Pay-for-Performance.** 2014 was an unprecedented year for Rayonier Advanced Materials as we became an independent, publicly traded company. Significant highlights included:

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Successful completion of the Separation, including staffing all critical positions with top talent;  
 Achievement of pro forma EBITDA for the year of \$267 million, in line with our full year guidance provided in July, in spite of higher than anticipated costs in the second half of the year;  
 Adjusted free cash flow for the second half of 2014 of \$61 million; and  
 Reduction of net debt from \$930 million at the time of Separation to \$880 million.

2014 was also a challenging year for us due to generally oversupplied cellulose specialties markets and the decline in global demand, low commodity viscose prices and higher than anticipated input costs. These market conditions existed at the time of our Separation and remained challenging throughout the second half of 2014. These challenges are evidenced by our lower than expected financial results and the drop in our stock price, as well as the corresponding reduction of compensation paid to our named executive officers with respect to both long- and short-term incentives.

Due to our overall performance during the 2012-2014 performance period, we did not achieve threshold total shareholder return ("TSR") performance under our 2012 performance share program, and our named executive officers and other participants received zero payout with respect to these awards. In addition, under our 2014 annual incentive plan, our achievement of operating income and adjusted free cash flow performance metrics for the second half resulted in a zero payout factor for the post-Separation performance period resulting in a total payout 16% below target. For example, our CEO earned 23% of his aggregate target award opportunity under the 2014 annual incentive plan and 2012 performance share program, resulting in a 77% reduction from targeted compensation with respect to these incentive awards.

The following chart illustrates a comparative example of our stock price decrease from Separation through the end of 2014 alongside a comparison of our CEO's 2014 actual compensation versus target compensation! Target compensation is illustrated as base salary plus target award opportunity under our 2014 annual cash bonus program plus target award opportunity under our long-term incentive program ending December 31, 2014 (the 2012 Performance Share Program). Actual compensation is illustrated as base salary plus the actual payout under the 2014 annual bonus program plus the actual payout under the 2012 Performance Share Program. As evidenced by this reduction from targeted incentive compensation for 2014, we believe that our executive compensation philosophy correctly aligns the interests of our executives with our stockholders and demonstrates the execution of our pay-for-performance philosophy.

(1) This illustration does not include the one-time transaction bonus paid in 2015 which was contingent upon consummation of the Separation and continuous employment for six months following such date, or the retention award under the CEO Agreement which is contingent upon our CEO's continued employment through August 31, 2018, each as discussed in this Compensation Discussion and Analysis under "Separation-Related Compensation Arrangements."

Recognizing the need to improve performance for our stockholders, the Company is actively taking steps to respond to unfavorable market conditions. We have implemented a major expense reduction initiative. We are also assessing our asset optimization, undergoing a review of our manufacturing strategy and significant co-product opportunities and are taking steps designed to protect and grow our market position by seeking to develop improved and new products and to grow our business in underserved markets. Finally, we continue to reassess our capital allocation strategies for 2015 and are working to continue to reduce our debt and invest in our business. In summary, we are taking proactive steps to improve our business in light of a

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challenging market. We are implementing aggressive initiatives and have put in place a management team with the energy, expertise and urgency required to achieve improved results. Additional information about our initiatives and plans for 2015 can be found in the Investor Relations section of the Company's website at [www.rayonieram.com](http://www.rayonieram.com). We have also established 2015 incentive compensation in a manner designed to incentivize improved results by tying Company and individual performance goals to metrics that measure successful execution of our 2015 initiatives.

### Named Executive Officers for 2014

This CD&A and the executive compensation tables that follow present information for the following individuals, who are collectively referred to as our "named executive officers":

• Paul G. Boynton, Chairman, President and Chief Executive Officer. Prior to the Separation, Mr. Boynton served as Rayonier's Chairman, President and Chief Executive Officer.

• Frank Ruperto, Chief Financial Officer and Senior Vice President, Finance and Strategy. Prior to the Separation, Mr. Ruperto served as Rayonier's Senior Vice President, Corporate Development and Strategic Planning since March 2014. Following the Separation, he served in the same position at Rayonier Advanced Materials and was appointed to serve as our Chief Financial Officer effective November 28, 2014.

• Michael R. Herman, Senior Vice President, General Counsel and Corporate Secretary. Prior to the Separation, Mr. Herman served as Rayonier's Senior Vice President, General Counsel and Assistant Secretary.

• James L. Posze, Jr., Senior Vice President, Human Resources. Prior to the Separation, Mr. Posze served as Rayonier's Senior Vice President, Human Resources.

• Jack M. Kriesel, former Senior Vice President, Advanced Materials. Prior to the Separation, Mr. Kriesel served as Rayonier's Senior Vice President, Performance Fibers. Mr. Kriesel retired from Rayonier Advanced Materials effective December 31, 2014.

• Benson K. Woo, former Senior Vice President and Chief Financial Officer. Mr. Woo had served in this position since June 24, 2014, and prior to that time had served as Rayonier's chief accounting officer since June 9, 2014. Mr. Woo's employment was terminated with Rayonier Advanced Materials effective November 30, 2014.

### Roles of the Rayonier Compensation Committee, Management and Advisors

Our Compensation Committee has responsibility for establishing our compensation philosophy and for monitoring adherence to it. The Compensation Committee reviews and approves compensation levels for all of our executive officers, including our named executive officers, as well as all compensation, retirement, perquisite and benefit programs applicable to such officers.

The Compensation Committee establishes annual performance objectives for our CEO, evaluates his accomplishments and performance against those objectives, and, based on such evaluation, makes recommendations regarding his compensation for approval by the independent members of our Board of Directors ("Board"). All of these functions are set forth in the Rayonier Advanced Materials Compensation Committee Charter, which appears on our website ([www.rayonieram.com](http://www.rayonieram.com)) and is reviewed annually by the Compensation Committee.

The Compensation Committee's work is accomplished through a series of meetings, following a regular calendar schedule to ensure all major elements of compensation are appropriately considered and that compensation and benefit programs are properly designed, implemented and monitored. Special meetings are held as needed to address matters outside the regular compensation cycle.

Working with the Compensation Committee Chair, our Senior Vice President, Human Resources prepares an agenda and supporting materials for each meeting. The Senior Vice President, Human Resources, along with our CEO, Corporate Secretary and Senior Manager, Global Compensation, generally attend the Compensation Committee meetings by invitation but are excused for executive sessions. The Compensation Committee invites other members of management to attend meetings as it deems necessary to cover issues within their specific areas of expertise or responsibility.

The Compensation Committee also seeks advice and assistance from compensation consultants and outside counsel. The Compensation Committee has engaged Exequity, LLP ("Exequity") to provide advice, relevant market data and best practices to consider when making compensation decisions, including decisions involving our CEO and the programs applicable to senior executives generally. Exequity also provides the Compensation Committee meaningful input on program design features and the balance of pay among the various components of executive compensation. Exequity

provides no additional services to the

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Compensation Committee. The Compensation Committee has assessed the independence of Exequity against the specific criteria under applicable SEC and NYSE rules and determined no conflict of interest is raised by Exequity's work for the Compensation Committee.

**Compensation Philosophy and Objectives**

The cornerstone of our compensation philosophy is to provide a substantial majority of senior executive compensation in the form of "at risk" performance-based incentives. For 2014, the portion of total target compensation (which is comprised of base salary and targeted annual and long-term incentive award levels) that was allocated to such performance-based incentives for our CEO was 83% and for our other named executive officers, excluding Mr. Woo, ranged between 64% and 79%. For this purpose, performance-based incentives for this named executive officer group included performance share and stock option awards granted in 2014 but does not include time-based restricted stock.

We have no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation.

Our compensation philosophy emphasizes "pay for performance" programs designed to reward superior financial performance and sustained increases in the value of our stockholders' investment in Rayonier Advanced Materials, while recognizing the need to maintain competitive base pay, retirement, healthcare, severance and other fixed compensation programs. We strive to use long-term incentive compensation, rather than base salary or annual cash bonuses, to provide executives with an above-median compensation opportunity if they can, over time, drive increases in stockholder value and outperform our peers on a relative total stockholder return basis.

\*The table above does not include Mr. Woo, who did not join us until June 2014 and terminated employment in November 2014.

As demonstrated in the above table, a primary component of our "at risk" performance-based incentives is our long-term stock-based awards, generally granted in the form of stock options, restricted stock and performance shares. The ultimate value of these awards to the executive is dependent upon Rayonier Advanced Materials' performance in delivering value to our stockholders both in absolute terms (through stock options and time-vested restricted stock) and relative to our peers (through performance shares). We believe tying a majority of the senior executives' compensation directly to its ability to deliver stockholder value over a meaningful period of time is a powerful tool to (1) properly align management interests with the interests of our



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investors, (2) promote an “ownership” mentality among our executives that fosters the long-term perspective necessary for sustained success, and (3) minimize the possibility that its incentive programs could promote excessive risk taking. Annual stock-based award grants generally are made, and the exercise price for options is set, on the first trading day of the year to remove discretion and avoid any concern that awards are “timed” to take advantage of market fluctuations or Rayonier Advanced Materials’ announcements, and our plans do not allow “repricing” of stock options. All of our officers, including our named executive officers, are subject to minimum stock ownership requirements and stock retention mandates relating to our Common Stock until such requirements are fully met. The Compensation Committee receives a report at each regular meeting showing the current number and value of all Rayonier Advanced Materials stock owned by each senior executive, as well as vested and unvested equity awards.

Short-term incentives for our named executive officers generally consist of an annual cash bonus based on our performance against budgeted EBITDA and adjusted free cash flow metrics (and for the portion of the year prior to the Separation, metrics based on Rayonier’s budgeted net income and cash available for distribution) and the Compensation Committee’s assessment of management’s performance in obtaining identified strategic objectives. We also provide a competitive base salary and benefit package.

As a general matter, our named executive officers do not have employment agreements with us, though we may enter into employment agreements from time to time, including, as discussed below, the letter agreements that were entered into with certain of our newly hired executives in 2014 in the context of the Separation. With the exception of accrued pension benefits and certain benefits provided in these agreements, all of the compensation and benefits of our named executive officers are subject to modification or cancellation by the Compensation Committee. Perquisites provided to our named executive officers are limited to annual physical examinations and reimbursement of tax and financial planning expenses, subject to an annual dollar cap.

### How Executive Compensation Is Set

The Compensation Committee evaluates and balances each of the primary components of our executive compensation program. The role of each such component is discussed separately below, together with factors considered in the setting of executive compensation.

**Setting Base Salary.** We provide cash base salaries to meet competitive market demands based on each executive’s position, skills and experience. The Compensation Committee will review the base salary of our CEO and the other named executive officers. In making adjustments (or, in the case of our CEO, recommendations to the independent directors for adjustment) to base salary levels, the Compensation Committee considers:

- budgeted levels for annual salary merit and equity adjustments;
- the executive’s level of responsibilities;
- the executive’s experience and breadth of knowledge;
- the executive’s individual performance as assessed through annual performance reviews;
- the executive’s role in management continuity and development plans;
- the perceived retention risk; and
- internal pay equity factors.

**Setting Annual Bonus Opportunities.** We also provide cash compensation in the form of annual bonus incentives, which are designed to reward executives based on Rayonier Advanced Materials’ financial performance against key budgeted financial metrics, and the attainment of identified strategic objectives. This will be accomplished each year by the Compensation Committee adopting an Annual Corporate Bonus Program providing for a target bonus award for each executive, including our named executive officers, based on salary grade, under the Rayonier Advanced Materials Inc. Non-Equity Incentive Plan (the “Annual Bonus Plan”).

**Setting Long-Term Incentive Compensation.** The Rayonier Advanced Materials Inc. Incentive Stock Plan (the “Stock Plan”), allows the Compensation Committee the flexibility to award long-term compensation incentives through a variety of equity-based awards. The Compensation Committee’s objective in granting such awards is to provide a strong incentive to our executives, including our named executive officers, to focus on the ongoing creation of stockholder value by offering above-median compensation opportunities for sustained increases in the market valuation of Rayonier Advanced Materials stock and out-performance of our peers on a total stockholder return basis. These award opportunities allow us to offer a competitive overall compensation package, and also further

opportunities for stock ownership by our executives in order to increase their proprietary

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interest in Rayonier Advanced Materials and, as a result, their interest in our long-term success and commitment to creating stockholder value. The typical three-year vesting and payment periods for our stock-based awards also provide a retention incentive for executives. The Compensation Committee will annually approve a dollar award value for each participating executive, which is converted into a specific number of restricted stock, stock options and/or performance shares, as applicable, on the grant date as discussed under “Long-Term Incentive Compensation.”

**Internal Pay Equity Factors.** By “internal pay equity” we mean relative pay differences among our executives are consistent with different job levels and responsibilities. Mr. Boynton, for example, holds the roles and responsibilities of Chairman, Chief Executive Officer and President. As a result, the Compensation Committee believes he has substantially more responsibility and impact on stockholder value than any other named executive officer. Consistent with this, the Compensation Committee of Rayonier set his total 2014 compensation level appreciably higher in relation to that of our other named executive officers, but at a level the Rayonier Compensation Committee believed was appropriate and reflective of market practice. The Compensation Committee of Rayonier Advanced Materials agreed.

**Tax Considerations - Section 162(m).** Section 162(m) of the Internal Revenue Code (the “Tax Code”) precludes a public corporation from taking a deduction for compensation in excess of \$1 million for specified named executive officers (other than person serving as the chief financial officer) unless certain criteria are satisfied. The Compensation Committee will consider the anticipated tax treatment to Rayonier Advanced Materials in its review and establishment of compensation programs and payments. However, deductibility of compensation is only one factor the Compensation Committee will take into account in setting executive compensation terms and levels and, in appropriate cases, would not preclude awards that are not deductible.

**Use of Peer Group and Other Compensation Data.** We compete with companies across multiple industries for top executive-level talent. As such, the Compensation Committee studies market norms among both peers in the performance fibers and materials industries and among comparably-sized general industry companies, and manage executive compensation within the ranges defined by these groups. However, the Compensation Committee does not benchmark any individual executive’s compensation level to the median of any range or to certain amounts or percentages of compensation, but consistent with our emphasis on providing “pay for performance,” generally expects our base salary and annual bonus opportunities to be lower in the ranges and our long-term incentive award opportunities to be higher in the ranges. Of course, variations from these general expectations may occur based on the expertise and experience level and other individual circumstances of a given executive as well as company and market factors.

Consistent with past practice, in setting 2014 compensation levels for senior executives, including those of our named executive officers that were employed by Rayonier prior to the Separation, the Rayonier Compensation Committee reviewed salary, annual bonus and long-term incentive compensation levels at both comparably-sized general industry companies and forest products industry peers. Specifically, Exequity, using Equilar’s database, performed a custom survey covering the 20 companies immediately above and the 20 companies immediately below Rayonier in the Standard & Poor’s 400 based on market capitalization (referred to in this discussion as the “Equilar Survey”). The companies included in the Equilar Survey were: Airgas, Inc., Autoliv, Inc., Ball Corp., Bell Aliant Inc., Canadian Tire Corp. Ltd, CBRE Group, Inc, Cliffs Natural Resources, Core Laboratories N.V., Coventry Health Care, Equifax, Inc., Expedia, Inc., Flowserve Corp., Hospira, Inc., Huntington Bancshares Inc., IAMGOLD Corp., Iron Mountain Inc., J.B. Hunt Transport Svcs, Inc., J.C. Penney Company, Inc., Jacobs Engineering Group, Inc., Masco Corp., MGM Resorts Int’l, Micron Technology, Inc., New Gold, Newell Rubbermaid Inc., OGE Energy Corp., PulteGroup, Inc., ResMed Inc., Royal Caribbean Cruises Ltd., Tesoro Corp., Tractor Supply Company, TRW Automotive Holdings Corp., Ulta Salon, Cosmetics & Fragrance, Inc., United Continental Holdings, Unum Group, Varian Medical Systems, Inc., Whirlpool Corp., Whiting Petroleum Corp., Willis Group Holdings Public Ltd Co. and Windstream Corp. Given the heavy asset management component of its businesses and the inherent variations in margins and revenues, Rayonier believed market capitalization was a better measure of overall management responsibility than revenues. Rayonier also had Exequity perform a proxy review of compensation levels for named executive officers at each of the peer group companies under the 2013 Performance Share Award Program (the “2013 Industry Peers”) The companies included in the 2013 Industry Peers were: Buckeye Technologies, Deltic Timber, Domtar, Forestar,

International Paper, Mead-Westvaco, Neenah Paper, Plum Creek, Potlatch Corporation, Sappi, St. Joe Company, Tembec and Weyerhaeuser. With respect to each of our executives who was serving as a named executive officer at the time of this December 2013 review (Messrs. Boynton, Kriesel and Herman), 2014 aggregate target cash compensation of each of these named executive officers fell below the medians for both the 2013 Industry Peers and the Equilar Survey, and aggregate targeted long-term incentives fell below the 75<sup>th</sup> percentiles for the two groups. In May 2014, the Rayonier Compensation Committee discussed several methodologies for establishing an appropriate peer group for Rayonier Advanced Materials following the Separation. The Committee noted a standard index (or a hybrid index consisting of a combination of standard indices) may be the best methodology for establishing a peer group because outside, impartial factors determine the appropriate peer group without influence of the Company. In July 2014, based on analysis and

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further consultation with Exequity, the Rayonier Advanced Materials Compensation Committee approved the use of the standard S&P Materials Index with collars applied for revenue (>\$500 million) and market cap (>\$500 million and <\$5 billion) to ensure better comparability. Throughout the program period, the comparator group is subject to adjustment using a “closed” methodology, meaning the comparator group is limited to companies included in the index at the start of the relevant performance period and, as companies drop out or are added to the official index, the original comparator group remains the same to the extent possible. As a result of these discussions, the following comparator group was established using the S&P Materials Index with the specified collars (subject to any adjustments under the “closed” methodology, the “May 2014 Performance Peer Group”):

Allegheny Technologies	Fuller (H. B.) Co.	Materion Corp.	Scotts Miracle-Gro Co
Aptargroup Inc.	Glatfelter	Minerals Technologies Inc.	Sensient Technologies Corp.
Boise Cascade Co.	Globe Specialty Metals Inc.	Myers Industries Inc.	Silgan Holdings Inc.
Cabot Corp.	Greif Inc. - CL A	Neenah Paper Inc.	Sonoco Products Co.
Calgon Carbon Corp.	Headwaters Inc.	Olin Corp.	Stapan Co.
Carpenter Technology Corp.	Innophos Holdings Inc.	Olympic Steel Inc.	Stillwater Mining Co.
Castle (OA M) & Co.	Kaiser Aluminum Corp.	OM Group Inc.	Suncoke Energy Inc.
Century Aluminum Co.	Kapstone Paper & Packaging	Polyone Corp.	Texas Industries Inc.
Clearwater Paper Corp.	Koppers Holdings Inc.	Quaker Chemical Corp.	Tredegar Corp.
Compass Minerals Intl Inc.	Kraton Performance	RTI International Metals Inc.	U.S. Silica Holdings Inc.
Cytec Industries Inc.	Polymers	Schulman (A.) Inc.	Worthington Industries
Eagle Materials Inc.	Louisiana-Pacific Corp.	Schweitzer-Mauduit Intl Inc.	Zep Inc.
	LSB Industries Inc.		

Except as otherwise indicated below, the 2014 executive compensation for our named executive officers was established using the previous peer groups and indices approved by the Rayonier Compensation Committee. Components of Executive Compensation for 2014

For 2014, 83% of our CEO’s total target compensation as established by Rayonier was allocated to “at risk” performance-based components consisting of annual bonus, performance shares and stock options, with the remaining 17% allocated to base salary. Target non-cash compensation awarded to our CEO was 65% of his target total compensation. Looking at our other named executive officers as a group, excluding Mr. Woo, on average 72% of their 2014 target total compensation as established by Rayonier was allocated to these “at risk,” performance-based components consisting of annual bonus, performance shares and stock options, with the remaining 28% allocated to base salary. Total non-cash compensation awarded to this named executive officer group ranged from 45% to 60% of their target total compensation. While 2014 target compensation was initially established by the Rayonier Compensation Committee, we believe this mix is both competitive within the marketplace and consistent with our executive compensation philosophy.

**Base Salary.** Base salary is the component of compensation that is fixed and intended to compensate our executives, based on their experience, expertise and job responsibilities, for work performed during the fiscal year. Our Annual Executive Salary Administration Plan, which sets budget levels for annual salary merit and equity adjustments, is structured to be generally consistent with market trends based on published salary survey data.

On April 1, 2014, Mr. Boynton received a 9% increase, bringing his salary to \$900,000. This increase was in recognition of his responsibilities as Chairman, President and Chief Executive Officer of Rayonier as he began his third year in this role and to align his base salary with competitive market pay for his position. The other named executive officers who were employed by Rayonier at that time received salary increases averaging 1.4% for 2014. All salary adjustments were effective April 1, 2014.

**Annual Bonus Awards.** Payments under the Annual Bonus Plan are generally based on our performance for the year with regard to: (1) key corporate financial metrics measured against budgeted levels and (2) identified strategic objectives.

In connection with the Separation, the Employee Matters Agreement provided the performance period for any 2014 Annual Corporate Bonus Program award opportunities would terminate upon the effective date of the Separation, and any awards earned under such plan were to be determined as soon as reasonably practicable following the Separation

and paid out in the first quarter of 2015 at the same time annual incentive awards would customarily be paid (“Pre-Spin 2014 Corporate Bonus Program”). The Employee Matters Agreement further required Rayonier Advanced Materials to adopt, as soon as reasonably practicable following the Separation, new bonus award opportunities covering a performance period commencing on the effective date of the Separation and ending on December 31, 2014, with awards to be paid based on achievement of performance objectives established in accordance with the terms of the Rayonier Advanced Materials Non-Equity Incentive Plan (“Post-Spin 2014 Corporate Bonus Program”). The original 2014 Corporate Bonus Program was established by the Rayonier Compensation Committee in December 2013 in accordance with normal historical practice. The Rayonier Compensation Committee established a target bonus for each named executive officer as a percentage of base salary, with the applicable percentage set uniformly by salary grade. For 2014, the target

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bonus percentages of base salary for our named executive officers were established as follows either in December 2013 or upon their later hiring: Mr. Boynton, 100%; Mr. Ruperto, 61%, Mr. Herman, 61%, Mr. Posze, 51%, Mr. Kriesel, 61% and Mr. Woo 61%. As discussed below under Retirement Bonus for Mr. Kriesel, Mr. Kriesel received a \$500,000 payment in lieu of any payment under the 2014 Corporate Bonus Program, and as discussed under Potential Payments Upon Termination or Change in Control - Employment Letter Agreements, Messrs. Ruperto and Woo were guaranteed minimum bonus payments for 2014 of \$210,000 and \$150,000, respectively, in connection with their hiring. Pursuant to his employment letter agreement, Mr. Woo received a prorated guaranteed bonus amount of \$125,000 in connection with his termination of employment.

Under the annual corporate bonus program, consistent with historical practice, the awards for named executive officers were originally established as follows: Awards are funded at the maximum allowable award level, equal to 200% of target awards, once threshold financial levels of performance are met. The funded award levels are then subject to adjustment by the Compensation Committee's exercise of negative discretion based on performance against the financial and strategic performance metrics set at the beginning of the year, and a subjective evaluation of the executive's performance against individual performance objectives, also set at the beginning of the year. Individual objectives for 2014, which consisted of personal performance goals aligned with the executive's job responsibilities as they relate to the Company's corporate and strategic initiatives, were also approved for each of our named executive officers. This funding mechanism for named executive officers was the result of the Rayonier Compensation Committee's desire to have maximum flexibility in setting award levels for these executives within the limitations on discretionary adjustments of performance-based awards under Section 162(m) of the Tax Code. This program structure and funding mechanism were maintained by the Rayonier Advanced Materials Compensation Committee in establishing the 2014 Post-Spin Corporate Bonus Program.

**Setting the Performance Factors.** In determining the annual cash incentive award for each named executive officer, the initial consideration of the Compensation Committee is the level of the officer's "formula award" which is calculated based on actual performance against two sets of performance factors:

• financial metrics (weighted 80%), and

• strategic objectives (weighted 20%).

Accordingly, 80% of the award is determined based on corporate performance with regard to the specified financial metrics as measured against budgeted levels and weighted equally, and 20% based on corporate performance against identified strategic objectives.

The payout scale for the financial metrics (weighted at 80% of the total formula award) provides for a payout of 20% of financial metric target awards (16% of total target award) at a threshold level of performance of 85% of budget, and a maximum payout of 200% (160% weighted) at 120% of budget with linear interpolation for performance between threshold and maximum levels:

	Performance as a Percentage of Target (Financial Metrics)			
	<85%	85%	100%	>120%
Financial Metric Bonus Pool Funding	0	20%	100%	200%

The remaining 20% of formula awards are based on the Committee's assessment of the Company's overall performance against specific strategic objectives approved by the Committee. Performance against those objectives is evaluated at the end of the performance period, at which time the Committee determines a payout percentage.

The payout percentages calculated based on performance against the financial metrics and the strategic objectives are added together to create a single measurement of performance called the Corporate Performance Factor, or "CPF." In December 2013, the Rayonier Compensation Committee established performance factors for the 2014 Corporate Bonus Program. The performance factors were designed to focus management on the two financial metrics considered most critical to Rayonier in measuring annual performance: adjusted Net Income and Cash Available for Distribution, or "CAD." CAD measures the ability of Rayonier to generate cash that could be distributed to stockholders as dividends or used for strategic acquisitions, debt reduction or stock repurchases. Rayonier defines CAD as Cash Provided by Operating Activities (GAAP measure included in Rayonier Inc.'s Consolidated Statements of Cash Flow in its 2014 Annual Report on Form 10-K) adjusted for capital spending (excluding strategic acquisitions), strategic divestitures,

cash provided by discontinued operations and working capital and other balance sheet changes. The Rayonier Compensation Committee selected these financial metrics due to the importance of earnings and cash generation given Rayonier's REIT structure and the importance investors continued to place on Rayonier's ability to pay



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and grow Rayonier's dividend. Performance under the 2014 Annual Corporate Bonus Program was measured against these financial metrics for the period commencing January 1, 2014 and ending on June 30, 2014 ("Pre-Split Performance Period").

In July 2014, following the Separation, the Rayonier Advanced Materials Compensation Committee adopted new financial metrics for the period commencing July 1, 2014 and ending December 31, 2014 (the "Post-Split Performance Period"): Operating Income at the performance fibers segment level and Adjusted Free Cash Flow. Adjusted Free Cash Flow is defined as cash provided by operating activities adjusted for capital expenditures excluding strategic capital and subsequent tax benefits to exchange the Alternative Fuel Mixture Credit for the Cellulosic Biofuel Producer Credit. The Compensation Committee considered these financial metrics to be the most critical to Rayonier Advanced Materials as a newly public company. The Compensation Committee also adopted revised strategic objectives to be measured over the full year 2014 performance period. Three of these strategic objectives were consistent with those objectives originally adopted by the Rayonier Compensation Committee in December 2013: successful execution of the corporate growth strategy, safety performance and certain employment-related matters. The Compensation Committee also adopted execution of Rayonier Advanced Materials' margin improvement plan as an additional metric pertinent to the new spun-off business.

**Measuring Performance Results Under the 2014 Corporate Bonus Program; Accounting Adjustments.** Before the Rayonier Advanced Materials Compensation Committee approved the CPF and resulting bonus pool for awards under the 2014 Corporate Bonus Program for named executive officers, it was presented with an analysis of all material unusual, nonrecurring and non-budgeted items impacting the bonus calculation for review to determine whether, based on factors such as frequency, foreseeability, manageability and past treatment, any particular item should be included or excluded from the calculation.

For the Pre-Split Performance Period, the approved adjustments primarily relate to the costs of the Separation, including, but not limited to, legal fees, investment banker fees, additional interest cost, transaction bonuses and income tax expense. These adjustments resulted in an increase in Net Income of \$39.6 million and an increase in CAD of \$15.8 million, with a corresponding increase of financial performance versus budget from 89.9% to 110.4%. No adjustments were made with respect to the financial metrics for the Post-Split Performance Period.

Payout at target award levels for the 2014 Corporate Bonus Program required:

- With respect to the Pre-Split Performance Period, achievement of Net Income of \$96.6 million and CAD of \$152.3 million, the annual budgeted amounts approved by the Rayonier board of directors in December 2013;

- With respect to the Post-Split Performance Period, achievement of Segment Operating Income of \$125.4 million and Segment Adjusted Free Cash Flow of \$245.1 million, the annual budgeted amounts approved by the Rayonier Board of Directors in December 2013 for the Performance Fibers Segment; and

- The Compensation Committee's determination that performance against the 2014 strategic objectives were sufficient to warrant payout at target.

**Final Awards Under the 2014 Corporate Bonus Program.** At its December 2014 meeting, the Compensation Committee reviewed the projected available bonus pool and resulting "formula award" levels. The Compensation Committee also reviewed the overall "quality" of the financial results for the Pre-Split and Post-Split Performance Periods, with management reporting on the primary drivers of variances, both positive and negative, to key budget metrics. Following such analysis, the Compensation Committee approved, on a preliminary basis subject to final certification at its February 2015 meeting, projected payout levels as follows:

**Pre-Split Performance Period:** Performance against the financial metrics established for the Pre-Spin Performance Period, taking into account the accounting adjustments, was above target (100.79% of budgeted Net Income and 152.7% of budgeted CAD, which was capped at the maximum of 120.0% for purposes of the payout determination). This translated into a financial measures factor for the first half of 110.4%, resulting in a payout level of 122%. This payout level was divided in half, representing one-half of the financial metrics weighting.

**Post-Split Performance Period:** Performance against the financial metrics established for the Post-Spin Performance Period was below target (85.4% of budgeted Operating Income and an average of 70.2% (58.3% for the third quarter and 82.1% for the fourth quarter) of budgeted Adjusted Free Cash Flow). This translated into a financial measures factor for the second half of 2014 of 0%, resulting in a payout level of 0% for the Post-Spin Performance Period.

Strategic Objectives for Full Year 2014: After assessing performance against identified strategic objectives, the Compensation Committee determined that strategic objectives for 2014 had been achieved at 112% of target on an average basis, reflecting performance slightly exceeding expectations. This resulted in a payout level of 23.0% for 2014 strategic

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objectives. The Compensation Committee intended that the identified strategic objectives be ambitious but achievable, with specific objective measures of success, consistent with the financial metrics component of the CPF calculation. These payout levels were approved and certified by our Compensation Committee in February 2015. The 61% payout level for the Pre-Spin Performance Period plus the 0% payout level for the Post-Spin Performance Period plus the 23% payout level for the 2014 strategic objectives resulted in a total CPF of 84%.

The final annual cash incentive award amounts earned by our named executive officers (with the exception of Messrs. Ruperto, Kriesel and Woo who received guaranteed bonus amounts for 2014) based on performance during 2014 was approved by the Rayonier Advanced Materials Compensation Committee and, for Mr. Boynton, by the Rayonier Advanced Materials independent directors, in February 2015, taking into account the level of each executive's formula award and attainment of his individual performance objectives. By their terms, the awards are initially funded at the maximum allowable award level for Section 162(m) purposes as described above and are reduced in the Committee's permitted exercise of negative discretion to equal the final bonus amount approved by the Committee or independent directors, as applicable. Final bonus amounts under the 2014 Corporate Bonus Program for Messrs. Boynton and Posze were consistent with the formula awards resulting in a payout of awards at 84% of the target award opportunity, and the final bonus amount for Mr. Herman, in recognition of his significant efforts pre- and post-Separation, was \$50,000 above the formula award resulting in a payout of his award at 106% of the target award opportunity. The final awards were paid by Rayonier Advanced Materials to these named executive officers in March 2015 and appear in the Summary Compensation Table under the heading "Non-Equity Incentive Plan Compensation."

**Long-Term Incentive Compensation.** Long-term incentive awards for our named executive officers for 2014 were approved by the Rayonier Compensation Committee (and in the case of Mr. Boynton, by Rayonier's independent directors) in December 2013 with a grant date of January 2, 2014. As discussed in more detail below, Rayonier equity awards outstanding at the time of the Separation were converted into equity awards relating to Rayonier and Rayonier Advanced Materials in accordance with the terms of the Employee Matters Agreement. The Separation did not constitute a change in control under Rayonier's equity plans or agreements and did not trigger any acceleration of vesting.

For senior executives, 2014 stock option and performance share award levels as originally established were based on three factors:

- 1) the aggregate dollar value of the total long-term incentive award opportunity for the executive approved by the Rayonier Compensation Committee, or for Mr. Boynton, the independent directors;
- 2) the Rayonier Compensation Committee's allocation of that total value between stock options and performance share awards; and
- 3) the value of a stock option and performance share award calculated at the grant date of January 2, 2014.

For award purposes, the value of a stock option was based on the Black-Scholes valuation model, the same method used in the annual financial statements of Rayonier or Rayonier Advanced Materials, as applicable. The value of a performance share was determined based on the closing price of Rayonier common stock, or Rayonier Advanced Materials Common Stock, as applicable, on the grant date. Consistent with applicable accounting rules, a different performance share valuation model is used for financial statement purposes, which is derived from a simulation model run after the awards are made.

For 2014, the Rayonier Compensation Committee approved an increase in long-term incentive award values for Mr. Boynton to align his long-term incentive award with competitive market pay for his position. When compared to the 2013 long-term incentive award values, Mr. Boynton's award increased by \$250,000 and Mr. Posze's award increased by \$50,000. Long-term incentive award values for Messrs. Herman and Kriesel were held at 2013 levels. Upon commencement of employment with Rayonier, in March and June 2014, respectively, the Rayonier Compensation Committee established the long-term incentive award value for Mr. Ruperto at \$750,000 and for Mr. Woo at \$400,000.

For 2014, the Rayonier Compensation Committee maintained the allocation of long-term incentive grant date value at 80% for performance share awards and 20% for stock options, consistent with the belief that relative total shareholder return of Rayonier versus its operational peers and key market indices, over a meaningful period of time, is the single best measure of overall management performance.

The long-term incentive award values approved by the Rayonier Compensation Committee in December 2013 for each participant, including each named executive officer who was employed by Rayonier at that time, were converted into a specified number of stock options and performance shares on January 2, 2014 using the Black-Scholes value and closing Rayonier share price as discussed above.

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Stock Options. The stock option award program helps:

- motivate and reward superior performance on the part of executives and key employees;
- directly link the creation of stockholder value and long-term executive incentive compensation;
- encourage increased stock ownership in Rayonier by executives; and
- maintain competitive levels of total compensation.

Consistent with past practice, the Rayonier Compensation Committee approved the grant date dollar value of the annual stock option award in December 2013 for the 2014 fiscal year for selected executives and key employees (other than Mr. Boynton, whose award value was approved by the independent directors), as well as the January 2, 2014 award date, on which the exercise price for the award was set. For annual grants the award date has historically been the first trading day in January, and the Rayonier Advanced Materials Compensation Committee has determined to continue this practice. By virtue of this practice, we do not backdate stock options, grant options retroactively or coordinate grants so that they are made before the announcement of favorable information or after the announcement of unfavorable information.

For 2014, options to purchase 109,410 shares of Rayonier stock were awarded to our named executive officers as a group. Upon completion of the Separation, all outstanding Rayonier stock options were converted into both Rayonier Advanced Materials stock options and adjusted Rayonier stock options, with adjustments made to preserve the intrinsic value of the Rayonier stock options as measured immediately before and immediately after the Separation, subject to rounding. The Rayonier Advanced Materials stock options received by our named executive officers in connection with the conversion of Rayonier stock options outstanding prior to the Separation will generally be subject to the same vesting conditions and other terms that applied to the original Rayonier stock option award immediately before the Separation. Following the Separation, in connection with their hiring, on July 1, 2014, Mr. Woo was awarded options to purchase 5,130 shares of Rayonier Advanced Materials stock, which were later forfeited upon his termination of employment. Stock options awarded to our named executive officers in 2014 are shown in the “Grants of Plan-Based Awards” table.

Performance Shares. Our Performance Share Award Program helps us to:

- focus executives on the long-term creation of stockholder value;
- provide a retention incentive for our named executives officers;
- prov