

HCP, INC.
Form DEF 14A
March 20, 2014
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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 (Amendment No.)

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 under §240.14a-12

HCP, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☒ x No fee required.
- ☐ o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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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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COVER IMAGE

Oyster Point Life Science
Building

S. San Francisco, California

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Letter from Our Board of Directors

Dear Fellow Stockholders,

Our goal at HCP is to deliver both dividend income and build long-term value, by actively managing our investment portfolio and investing in new opportunities that produce attractive risk-adjusted returns. With an experienced management team, a high-quality portfolio positioned to generate recurring growth, long-term partnerships with leading operators and a strong balance sheet, we are confident about our future. Our stockholders have enjoyed [29 consecutive years of dividend growth](#), and HCP takes pride in being the [only REIT in the S&P 500 Dividend Aristocrats Index](#).

We view the attached proxy statement as an opportunity to provide insight regarding our significant achievements over the past year, including our new and improved compensation program, recent leadership changes and new corporate governance practices.

Alignment of Pay and Performance

We believe that the Company's executive compensation programs should appropriately tie executive pay to performance. Although our stockholders have consistently expressed overwhelming support for our executive compensation plans since the onset of Say-on-Pay (average vote FOR of 96% across all three years), we continue to strive to improve our compensation programs. In connection with our leadership change and with the assistance of an independent compensation consultant, our Compensation Committee undertook a comprehensive redesign of our executive compensation programs using transparent metrics. We implemented substantial changes designed to align our executives' interests with those of our stockholders. These changes include rigorous and multiple objective performance criteria to determine the amount of the annual cash incentive and long-term incentive awards. Additionally, 50% of the long-term incentive awards are now subject to performance criteria and risk of forfeiture depending on relative total stockholder return and balance sheet management over a forward-looking three-year measurement period.

Enhanced Corporate Governance Practices

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We made significant changes to our leadership in the fourth quarter of 2013 as we elected Lauralee E. Martin as our new President and Chief Executive Officer and Michael D. McKee became the non-executive Chairman of the Board. We believe that the separation of the roles of the Chief Executive Officer and Chairman enhances the Board's independence from management and leads to more effective oversight. We also enhanced the professional skill set of the Board by adding a new independent director, Brian G. Cartwright, former General Counsel of the Securities and Exchange Commission. Additionally, we adopted a Vendor Code of Business Conduct and Ethics applicable to our vendors and business partners, which represents an integral part of our commitment to conducting our business consistent with the highest ethical standards.

Promising Future

HCP continues to be strong and well positioned for a promising future after experiencing a productive yet challenging year. As we look forward, we are excited about the potential value creation opportunities available in the wake of healthcare reform as our experienced management team continues to execute our proven business strategy, focusing on expanding existing relationships and building new ones. As stewards of your Company, we are committed to acting in the best interests of HCP and all its stockholders. Thank you for your continued support.

Michael D. McKee
Chairman

Brian G. Cartwright

Christine N. Garvey

David B. Henry

Lauralee E. Martin
President and CEO

Peter L. Rhein

Joseph P. Sullivan

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Thursday, May 1, 2014

9:30 a.m., Pacific Time

Long Beach Marriott, 4700 Airport Plaza Drive, Long Beach, California 90815

ANNUAL MEETING PROPOSALS

1. Election of the seven director nominees named in this Proxy Statement

2. Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014

3. Approval, on an advisory basis, of executive compensation

4. Approval of the HCP, Inc. 2014 Performance Incentive Plan

5. Transaction of such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof

Record Date: March 7, 2014

PROXY VOTING

Please submit your proxy or voting instructions as soon as possible to instruct how your shares are voted at the Annual Meeting, even if you plan to attend. If you later vote in person at the Annual Meeting, your previously submitted proxy or voting instructions will not be used.

By order of the Board of Directors

IMPORTANT NOTICE REGARDING INTERNET AVAILABILITY OF PROXY MATERIALS

This Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2013 are available on the Internet at <http://materials.proxyvote.com/HCP>. You can also view these materials at www.proxyvote.com by using the control number provided on your proxy card or Notice of Internet Availability of Proxy Materials.

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PROXY STATEMENT HIGHLIGHTS

Leadership Structure

In October 2013, we elected Lauralee E. Martin as our new President and Chief Executive Officer and appointed Michael D. McKee as the new non-executive Chairman of the Board. We believe that the separation of the CEO and chairman roles increases the Board's independent oversight and enhances the CEO's focus on our business operations. Through this transition, we retained our talented senior management team. We also added an independent director in 2013, Brian G. Cartwright, former General Counsel of the Securities and Exchange Commission.

<p>BOARD OF DIRECTORS /</p> <p>2014 DIRECTOR</p> <p>NOMINEES*</p>		<p>EXECUTIVE OFFICERS</p>
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** All of our director nominees, other than Ms. Martin, are independent under NYSE and SEC rules. All members of our Audit, Compensation and Nominating and Corporate Governance Committees are independent directors.*

Our Board represents a breadth of experience and diversity in perspective and background, as reflected in the summary of their collective qualifications below. Additionally, our Board members have a broad range of tenures, from less than 1 year to over 25 years of service. This balances institutional knowledge and experience with new perspectives and ideas, as well as ensures a smooth succession over time.

Board Tenure and Qualifications

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PROXY STATEMENT HIGHLIGHTS

2013 Performance

We continued to deliver strong operating and financial performance in 2013, including the following:

Financial Highlights*

Achieved 8% year-over-year growth in FFO as adjusted per share and 12% growth in earnings per share

Achieved 14% year-over-year growth in FAD per share

Generated 3.1% same store cash NOI growth

Completed approximately \$600 million of investments

Raised \$800 million of 4.25% senior notes due 2023

Delivered \$957 million in dividends to stockholders

Improved credit profile, including reducing Financial Leverage to 39%

** We present reconciliations of certain non-GAAP financial measures to their most directly comparable GAAP measures in Appendix A to this proxy statement.*

Operator Relationships and Asset Management Highlights

Extended and expanded relationships with key operators and tenants

- + Extended 3 hospital leases with Tenet Healthcare Corporation, retaining \$23 million of recurring annual rent
- + Expanded South San Francisco leases with Genentech, a member of Roche Group, by 63,000 square feet to 857,000 square feet
- + Improved our real estate portfolio via asset swap and dispositions totaling \$111 million

Achieved stabilization of \$137 million in assets, reducing our non-stabilized asset pool to 3.5% of our portfolio

Efficiently managed our portfolio with corporate overhead at 0.35% of gross assets

Sustainability Leadership

Named to the CDP Global 500 and S&P 500 Climate Disclosure Leadership Indices, the Dow Jones Sustainability Index for the North American region and the FTSE4Good Sustainability Index

Awarded NAREIT's Healthcare Leader in the Light Award for 2nd consecutive year (ranked #1 in healthcare sector)

Named the Global and North American Leader by GRESB for 2nd consecutive year (ranked #1 in healthcare sector)

Contributed to USC Davis School of Gerontology to launch Center for Digital Aging

Contributed to the University of California, Irvine Institute for Memory Impairment and Neurological Disorders (UCI MIND) to advance Alzheimer's research

Sponsored the Walk to End Alzheimer's®, and made several charitable contributions to support research for Alzheimer's, Melanoma Cancer and other projects

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PROXY STATEMENT HIGHLIGHTS

Dividend Increase for 29th Consecutive Year

Our Board increased our quarterly dividend in January 2014 by 3.8% to \$0.545 per share, resulting in [29 consecutive years of dividend growth](#). HCP is proud to be the [only REIT in the S&P 500 Dividend Aristocrats Index](#), which recognizes S&P 500 companies that have increased their dividend for at least 25 consecutive years and have a market capitalization in excess of \$3 billion.

(1) *Estimated full year 2014 dividend based on the \$0.545 per share quarterly dividend paid on February 25, 2014.*

Value Creation Strategy

Total Stockholder Return (TSR)

The graph to the left shows the compounded annual return to our stockholders over a one-, three- and five-year period through December 31, 2013.

As in years past, the Compensation Committee monitored TSR performance over multiple periods and management's performance against Company goals taking into account business conditions and unforeseen developments during the past year. As noted above, in 2013 while we were successful in achieving our financial

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PROXY STATEMENT HIGHLIGHTS

and operational Company goals set early in the year, TSR lagged the broader REIT industry that includes various property sectors.

Beginning in May 2013, our share price, similar to other healthcare REITs, was pressured by rising interest rates and related concern about the future direction of the Federal Reserve's approach to quantitative easing and the uncertainty surrounding healthcare reform. Additionally, our share price was impacted by a relatively quiet year on the transaction front in part due to the increase in our cost of capital and continued underwriting discipline.

business segments and align ourselves with the best operators, which over the long term should result in higher relative rental rates and appreciation of property values; (2) to concentrate on longer-term escalating triple-net leases with tenants of strong financial standing to enhance the quality and stability of our rental income; (3) to maintain the average maturity of our debt financing generally in line with the longer-term nature of our assets to reduce our exposure to interest rate volatility, as well as the risk of having to refinance significant maturities in the face of adverse conditions in the credit markets; and (4) to continue to manage our balance sheet with target levels of Financial Leverage at 40% relative to our assets.

We manage our business for the long term. The core elements of our strategy are: (1) to acquire, develop, own and manage a diversified portfolio of quality healthcare properties across multiple

New Performance Incentive Compensation Plan for Executives

Our Compensation Objectives

Consistent with our focus on the long-term performance of our business, our new compensation program also rewards and motivates long-term performance. In 2014, in connection with our change in leadership and with the strong support of our new CEO, we adopted a new, more transparent and robust compensation plan to achieve the following key objectives:

Align compensation with stockholder interests, including earnings and dividend growth, maximum risk-adjusted return on our investments and stock return performance;

Promote the creation of long-term stockholder value;

Discourage excessive risk-taking by balancing short- and long-term compensation awards;

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Reward performance, with a meaningful portion of compensation tied to the Company's financial and strategic goals and individual performance; and

Attract, motivate and retain key employees with outstanding talent and ability.

Performance Incentive Plan Overview

In determining 2013 executive compensation, the Compensation Committee used the objective normalized FFO per share target established in January 2013 under our prior compensation plan, but also applied the Short-Term Incentive Plan (STIP) and Long-Term Incentive Plan (LTIP) award criteria under our new plan. This transition allows us to immediately implement our new plan and better align pay and performance beginning in 2014. The key features of our new program are outlined below and described in detail in the Compensation Discussion and Analysis section of this proxy statement.

Component	Consideration	How Award is Calculated	How Award is Distributed
Base Salary			
Base salary	Cash	Individual performance Consideration, in consultation with independent compensation consultant, of the executive's position, responsibilities, experience, subjective motivation and retention factors, and peer practices Recommendation of CEO (with respect to other NEOs only)	Cash payment

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PROXY STATEMENT HIGHLIGHTS

Component	Consideration	How Award is Calculated	How Award is Distributed
Short-Term Incentive Plan (STIP)			
STIP	Cash incentive	<p>50% - Quantitative performance criteria (over a one-year period) based on pre-determined normalized FFO per share hurdles</p> <p>50% - Qualitative performance criteria (over a one-year period) based on pre-determined individual performance and Company operating metrics, including the following, subject to the negative discretion of the Compensation Committee:</p> <p>Real estate investments</p> <p>Capital expenditure investments</p> <p>Non-stabilized assets management</p>	Cash payment
Long-Term Incentive Plan (LTIP)			
LTIP	RSUs and Options	<p>50% - Quantitative performance criteria (over a one-year period) based on pre-determined normalized FAD per share hurdles</p> <p>50% - Qualitative performance criteria (over a one- year period) based on pre-determined individual performance and Company operating metrics, including the following, subject to the negative discretion of the Compensation Committee:</p> <p>Same store cash NOI growth</p> <p>FAD dividend payout ratio</p>	<p>50% Annual LTIP grant of $\geq 70\%$ RSUs and $\leq 30\%$ options</p> <p>1/3 vests on grant date (subject to one-year transfer restriction) with the balance vesting annually over the next two years</p> <p>50% 3-year LTIP grant of performance RSUs subject to additional quantitative performance criteria (over a three-year period)</p>

Balance sheet management

70% - based on relative TSR (weighted average of 75% FTSE NAREIT Health Care Index and 25% MSCI US REIT Index)

30% - based on Net Debt to Adjusted Pro Forma EBITDA

Three-year cliff vesting

New Plan Addresses Old Plan Concerns

Our new executive compensation plan responds to feedback from our stockholders regarding our prior compensation practices and further aligns our executives' interests with those of our stockholders.

Old Plan	New Plan
Both short and long-term incentive plans used FFO per share as the performance metric	<p>Different performance metrics for short and long-term incentive plans:</p> <p>STIP uses normalized FFO per share and various other operating metrics</p> <p>LTIP uses normalized FAD per share, relative TSR and Net Debt to Adjusted Pro Forma EBITDA</p>

Long-term incentive awards were primarily retentive and all metrics based on single performance year

50% of equity awards now vest based on achievement of performance criteria over a forward-looking three-year measurement period beginning in the year of grant

Performance metrics were perceived to lack rigor (threshold performance criteria based on 90% of FFO per share in the applicable performance year)	Introduces challenging performance criteria determined at the beginning of the performance period with targets tied to operational and strategic objectives that must exceed our base internal annual operating plan
--	--

Significant Board discretion	50% of each of the annual cash incentive and the long-term equity incentive award is based solely on objective performance metrics; the Compensation Committee retains negative discretion to reduce the other 50% of each award based on individual performance and Company operating metrics
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PROXY STATEMENT HIGHLIGHTS

Significant Portion of Pay Is Performance-Based and At Risk

The graphics below illustrate the portion of total direct compensation delivered to our CEO and other Named Executive Officers (NEOs) (as defined under Summary Compensation Table 2013 below), with respect to their services performed in 2013. The compensation presented, which excludes one-time inducement and retention awards in connection with our leadership transition, was at risk and performance-based, meaning that the compensation is subject to performance criteria and may not be fully realized. We believe that this mix of compensation promotes the creation of long-term stockholder value by aligning the majority of executive compensation directly with stockholder interests, while also discouraging excessive risk-taking.

CEO Inducement and Make-Whole Award

In electing Ms. Martin as the President and Chief Executive Officer in October 2013, our Board recognized that Ms. Martin is one of the most highly regarded executives in commercial real estate. She was also uniquely qualified from her service on the Board over the last five years to quickly integrate with our senior management team to provide leadership and continue to execute our business strategy.

As a material inducement to her acceptance of the President and Chief Executive Officer position, Ms. Martin was granted a one-time \$10 million equity award to offset the lost financial value she incurred and equity compensation she forfeited in leaving her former C-suite executive position after 12 years with Jones Lang LaSalle Incorporated.

Sixty percent (60%) of the award was granted in the form of restricted stock that vests in 12 quarterly installments beginning December 31, 2013, with such shares subject to transfer restrictions through December 31, 2020. This seven-year holding period provides a substantial restraint on her award that promotes alignment with the long-term interests of our stockholders.

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The remaining 40% of the award is subject to the same vesting schedule as the Company's LTIP awards under our new and improved compensation program, with 50% of the LTIP awards at risk and whether they are ultimately earned is subject to the achievement of additional performance criteria through December 31, 2016. Accordingly, the ultimate value of the award is tied directly to Company performance and 20% of the aggregate award remains at risk subject to additional three-year performance requirements.

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PROXY STATEMENT HIGHLIGHTS

Best Practice Compensation Features that Align Pay and Performance

In the development of our new executive compensation plan, we implemented additional features that strengthen the alignment between the interests of our NEOs and stockholders.

What We Do

DO align pay and performance by linking a significant portion of total compensation to the achievement of a balanced mix of Company and individual performance criteria tied to operational and strategic objectives established at the beginning of the performance period by the Board and the Compensation Committee

DO balance both short-term (one-year) and long-term (three-years) performance across our incentive programs

DO subject the vesting of 50% of long-term incentive awards to performance hurdles based on relative TSR and balance sheet management over a forward-looking three-year measurement period

DO strive to award incentive compensation to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code

DO cap payouts for awards under our STIP and LTIP

DO maintain rigorous stock ownership guidelines (10x base salary for the CEO, 3x base salary for other executive officers and 5x annual retainer for non-employee directors)

DO enhance executive officer retention with time-based vesting schedules for equity incentive awards earned for prior-year performance

DO maintain a clawback policy

DO conduct annual compensation risk assessments

DO appoint a Compensation Committee comprised solely of independent directors

DO use an independent compensation consultant

What We Don't Do

NO compensation or incentives that encourage unnecessary or excessive risk taking

NO tax gross ups for any executive officers

NO single-trigger change in control cash payments

NO repricing or buyouts of underwater stock options

NO pledging of any of our securities (Anti-Pledging Policy Adopted)

NO hedging or derivative transactions involving our securities (Anti-Hedging Policy Adopted)

NO guaranteed cash incentive compensation or equity grants

NO excessive perquisites or other benefits

NO practice of benchmarking executive compensation to target compensation above the median of our comparative peer group

NO equity plan evergreen provisions

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PROXY STATEMENT HIGHLIGHTS

Your Vote Is Important

Even if you plan to attend the Annual Meeting, please submit your proxy or voting instructions as soon as possible. If you later attend the Annual Meeting and vote in person, your previously submitted proxy or voting instructions will not be used.

How to Vote

BY INTERNET USING YOUR COMPUTER		Visit 24/7 www.proxyvote.com	BY TELEPHONE		Dial toll-free 24/7 1-800-690-6903
BY INTERNET USING YOUR TABLET OR SMARTPHONE		scan this QR code 24/7 to vote with your mobile device (may require free software)	BY MAILING YOUR PROXY CARD		Cast your ballot, sign your proxy card and send by free post

Proposals		Recommendation	Page
1.	Election of the seven director nominees named in this Proxy Statement	FOR EACH DIRECTOR NOMINEE	1
2.	Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014	FOR	14
3.	Approval, on an advisory basis, of executive compensation	FOR	42
4.	Approval of the HCP, Inc. 2014 Performance Incentive Plan	FOR	43
5.	Transaction of such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof		

Visit our Website to Vote

www.hpci.com/vote

Review and download our proxy materials and annual report

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Sign up for electronic delivery of future meeting materials

Voting online 24/7 for our stockholders of record*

*Beneficial holders should contact their broker or refer to their voting instruction card for voting information

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PROXY STATEMENT

Our Board of Directors (**Board**) solicits your proxy for the 2014 annual meeting of stockholders and any adjournment or postponement thereof (the **Annual Meeting**). These proxy materials are first being made available to our stockholders on or about March 20, 2014.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

Director Nominees

Based on the recommendation of the Nominating and Corporate Governance Committee, the Board has nominated our seven current directors, identified below, for election at the Annual Meeting, to serve until the 2015 annual meeting of stockholders. With the exception of Mr. Cartwright, all of our director nominees were elected by our stockholders. Mr. Cartwright was identified and recommended as a director nominee by the members of our Nominating and Corporate Governance Committee and was appointed by our Board on July 2, 2013.

Each of the nominees for election has consented to be named in this proxy statement and we expect each nominee to serve, if elected. If any nominee is unable to serve, your proxy may be voted for a substitute nominee.

MICHAEL D. MCKEE

Chairman of the Board; Independent Director

Age 68

Director Since 1989

Committees Nominating and Corporate Governance (Chair)

LAURALEE E. MARTIN

President and Chief Executive Officer

Age 63

Director Since 2008

Committees None

Mr. McKee has been Chief Executive Officer of Bentall Kennedy U.S., L.P. (**Bentall Kennedy**), one of the largest privately owned real estate

Prior to assuming her current role in October 2013, Ms. Martin was employed by Jones Lang LaSalle Incorporated (NYSE:JLL), one of

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investment advisory firms in North America, since February 2010. Mr. McKee retired in September 2008 as the Chief Executive Officer and Vice Chairman of the Board of Directors of The Irvine Company, a privately held real estate development and investment company, where he had been an executive officer since 1994. Prior to that, he was a partner with the law firm of Latham & Watkins LLP from 1986 to 1994. Mr. McKee is the Chairman of the Board of Directors of Realty Income Corporation (NYSE:O), a real estate investment trust (REIT), and serves on the Board of Directors of First American Financial Corporation (NYSE:FAF), a title insurance and financial services company, and the Tiger Woods Foundation. He also previously served as a director of Mandalay Resort Group, Irvine Apartment Communities Inc. and Oasis Residential, Inc.

the world's leading real estate services and money management firms, in various high-level capacities, including as Chief Executive Officer, Americas beginning in January 2013. Prior to that, she was Executive Vice President and Chief Financial Officer since January 2002, and was appointed to the additional position of Chief Operating Officer in January 2005. Ms. Martin also served on its Board of Directors from 2005 until May 2013. Ms. Martin joined Jones Lang LaSalle after 15 years with Heller Financial, Inc. where she was Executive Vice President, Chief Financial Officer and President of the Real Estate Finance Division. Ms. Martin serves on the Board of Kaiser Aluminum Corporation (NYSE:KALU), a leading producer of aluminum products, and previously served as a director of KeyCorp (NYSE:KEY), one of the nation's largest bank based financial services companies, from 2003 through 2010 and of Gables Residential Trust, a REIT, from 1994 through 2005. Ms. Martin also serves as a Trustee of the Urban Land Institute and a Trustee of the International Council of Shopping Centers.

Experience and Qualifications of particular relevance to HCP

Mr. McKee's real estate experience with Bentall Kennedy and The Irvine Company as well as his legal background bring to our Board the perspective of a business leader who has evaluated operational and business issues similar to those facing HCP.

Experience and Qualifications of particular relevance to HCP

Ms. Martin's more than 20 years of experience in key operational and finance roles at Jones Lang LaSalle and Heller Financial, Inc. provides our Board with extensive operational and financial expertise and an industry-wide perspective that contributes to the design and implementation of our business strategy.

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

BRIAN G. CARTWRIGHT

Independent Director

Age 66

Director Since 2013

Committees Audit; Compensation;
Nominating and Corporate Governance

CHRISTINE N. GARVEY

Independent Director

Age 68

Director Since 2007

Committees Audit (Chair)

Mr. Cartwright currently serves as a Senior Advisor at Patomak Global Partners LLC, a regulatory consulting firm. Additionally, he is a Scholar in Residence at the Marshall School of Business at the University of Southern California. From 2006 through 2009, he served as General Counsel of the United States Securities and Exchange Commission. From 2009 through 2011, he was a Senior Advisor at the law firm of Latham & Watkins LLP. From 1981 through 1982, he served as a law clerk to Associate Justice Sandra Day O'Connor on the United States Supreme Court. Between 1988 and 2005, Mr. Cartwright was a partner with Latham & Watkins LLP, where he served in various senior management positions, including as a member of its Executive Committee. Mr. Cartwright has served since 2011 as a member of the Board of Trustees of the Pacific Legal Foundation, a nonprofit provider of legal services, and serves on the Endowment and Investment Committee and the Financial Affairs and Administration Committee of that board.

Ms. Garvey was the Global Head of Corporate Real Estate Services at Deutsche Bank AG from 2001 to 2004. Prior to that, she served as Vice President, Worldwide Real Estate and Workplace Resources at Cisco Systems, Inc. and as Group Executive Vice President at Bank of America. Ms. Garvey has served as a member of the Board of Directors of ProLogis, Inc. (NYSE:PLD), a REIT, since June 2011, and was a member of the Board of Trustees and the Board of Directors, respectively, of its predecessors, ProLogis (since September 2005) and Catellus Development Corporation (since 1995). She is also a member of the Board of Directors of UnionBanCal Corporation and Toll Brothers, Inc. (NYSE:TOL), and served on the Board of Directors of Hilton Hotels Corporation from 2005 through October 2007 and MPG Office Trust, an office building REIT, from 2008 through October 2013.

Experience and Qualifications of particular relevance to HCP

Mr. Cartwright's distinguished experience with the SEC, extensive legal background and experience managing a large professional services firm bring to our Board considerable expertise in issues faced by a public company.

Experience and Qualifications of particular relevance to HCP

Ms. Garvey brings to our Board extensive operational expertise from her more than 25 years of real estate management experience and a valuable perspective gained through her experience serving as a director and audit committee member of other NYSE-listed companies.

DAVID B. HENRY

Independent Director

Age 65**Director Since** 2004**Committees** Compensation (Chair);
Nominating and Corporate Governance

Mr. Henry has been Chief Executive Officer of Kimco Realty Corporation (NYSE:KIM), a REIT (Kimco), since November 2009, President of Kimco since November 2008 and Vice Chairman of Kimco since May 2001. Mr. Henry joined Kimco in 2001 as Vice Chairman and Chief Investment Officer after 23 years at GE, where he was Chief Investment Officer and Senior Vice President of GE Capital Real Estate and Chairman of GE Capital Investment Advisors. At GE, he was responsible for helping to manage real estate investments totaling more than \$20 billion in 11 countries worldwide. Mr. Henry is a director of Fairfield County Bank, a \$1.5 billion community bank in Ridgefield, Connecticut, and a member of the Executive Board of the National Association of Real Estate Investment Trusts (NAREIT) and the Real Estate Roundtable. He also serves as a Trustee and is a past Chairman of the International Council of Shopping Centers (ICSC).

Experience and Qualifications of particular relevance to HCP

Mr. Henry's extensive real estate investment experience, gained from his management of real estate investments for significant public companies for a period of more than 30 years, brings to our Board a comprehensive understanding of the REIT industry.

PETER L. RHEIN

Independent Director

Age 72**Director Since** 1985**Committees** Audit; Compensation

Mr. Rhein has been a general partner of Sarlot and Rhein, a real estate investment partnership, since 1967 and a member of the Management Committee of BBC Properties, LLC, a real estate investment and development company, since October 2001. From 1970 until 1984, he was employed in various capacities by Wells Fargo Realty Advisors and its affiliates. From 1985 to 2008, Mr. Rhein chaired the Audit Committee of HCP. From 1993 to 1998, Mr. Rhein was a director and chaired the Audit Committee of Oasis Residential, Inc., a NYSE REIT. Mr. Rhein has served since 2004 as a director of Cohen & Steers, Inc. (NYSE:CNS), one of the nation's largest managers of real estate mutual funds. He is a certified public accountant.

Experience and Qualifications of particular relevance to HCP

Mr. Rhein's extensive real estate investment and development experience over the past 40 years provides our Board with valuable insights regarding the commercial real estate market. This experience, combined with his long-time board and audit committee service with HCP, gives Mr. Rhein a detailed understanding of HCP and makes him a valuable resource to our Board.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

JOSEPH P. SULLIVAN

Independent Director

Age 71

Director Since 2004

HCP Committees Compensation;

Nominating and Corporate Governance

clinical trials and consulting organization. Mr. Sullivan was Chairman of the Board, Chief Executive Officer and President of American Health Properties, Inc. from 1993 until HCP's acquisition of American Health Properties in 1999. He is a director of CIGNA Corporation (NYSE:CI), a global health service company. Mr. Sullivan served as a director of Covenant Care, Inc., a provider of long-term care services, from 2000 until 2006, Amylin Pharmaceuticals, Inc. (NASDAQ:AMLN), a biopharmaceutical company, from 2003 until 2012, and MPG Office Trust, Inc., an office building REIT, from 2009 to October 2013. He also has 20 years of investment banking experience with Goldman Sachs.

Mr. Sullivan is Chairman Emeritus of the Board of Advisors of RAND Health and past Chairman of the Board of Advisors of the UCLA Medical Center. From March 2000 through March 2003, he served as Chairman of the Board and Chief Executive Officer of Protocare, Inc., a healthcare

Experience and Qualifications of particular relevance to HCP

Mr. Sullivan's executive experience with American Health Properties, Inc., combined with his extensive background in investment banking and the healthcare industry, provides our Board with significant expertise relevant to HCP's business.

Voting Standard

A director nominee will be elected at the Annual Meeting if he or she receives a majority of the votes cast with respect to his or her election (that is, the number of votes cast FOR the nominee must exceed the number of votes cast AGAINST the nominee).

tender his or her resignation, subject to acceptance by the Board. The Nominating and Corporate Governance Committee will then make a recommendation to our Board on whether to accept the resignation or whether other action should be taken. Our Board will act on the

committee's recommendation and publicly disclose its decision, along with its rationale, within 90 days of certification of the election results.

If a director nominee is not re-elected, Maryland law provides that the director will continue to serve on the Board as a holdover director. Under our Bylaws, a director who fails to be elected must

Board Recommendation

Our Board recommends that you vote FOR each of the seven director nominees.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Board Independence

Our Board has affirmatively determined that each of Ms. Garvey and Messrs. McKee, Cartwright, Henry, Rhein and Sullivan is independent within the meaning of the rules of the New York Stock Exchange (the "NYSE"). We refer to these directors in this proxy statement as the Independent Directors. Prior to Kenneth B. Roath's resignation from the Board in September 2013 and Ms. Martin's election as President and Chief Executive Officer in October 2013, Mr. Roath and Ms. Martin were also determined to be independent within the meaning of the NYSE rules.

Board Leadership Structure

In October 2013, the Board separated the positions of Chief Executive Officer and Chairman of the Board, and appointed Michael D. McKee as non-executive Chairman and elected Lauralee E. Martin as President and Chief Executive Officer. Ms. Martin has served on the Board since 2008, and continues

to serve as a director. The Board believes that separating the positions of Chairman and Chief Executive Officer enhances the Board's ability to provide independent oversight of management and to carry out its responsibilities on behalf of our stockholders, and is consistent with our overall corporate governance practices.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The Board also believes the separation of the Chairman and Chief Executive Officer positions allows Ms. Martin to focus on operating and managing our business and leverages Mr. McKee’s experience and perspectives.

The Board periodically reviews the leadership structure and may make changes in the future.

Committees of the Board

Our Board has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Each committee has a written charter, which can be accessed on our website at www.hcpi.com under Investor Relations Corporate Governance Committee Charters.

Audit Committee

Members:	Responsibilities:
Christine N. Garvey, Chair	P Oversee the integrity of HCP’s financial statements and internal controls over financial reporting
Brian G. Cartwright	P Oversee HCP’s compliance with legal and regulatory requirements
Peter L. Rhein	P Assess the qualifications and independence of, and oversee, HCP’s independent registered public accounting firm
Independent: All	P Oversee HCP’s internal audit function
NYSE/SEC Qualified: All	

Financial Experts: All

2013 Meetings: 6

- P [Oversee risk management](#)
- P [Issue the Audit Committee Report included in this proxy statement](#)

Our Audit Committee meets with members of our independent registered public accounting firm at least four times a year. To ensure independence of the audit, our Audit Committee consults separately and jointly with members of the independent registered public accounting firm and management.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Compensation Committee

Members:	Responsibilities:
David B. Henry, Chair Brian G. Cartwright	P Approve compensation plans, policies and programs
Peter L. Rhein Joseph P. Sullivan	P Review compensation philosophy
Independent: All	P Establish Company goals and objectives relating to Chief Executive Officer's compensation
NYSE/SEC Qualified: All	Evaluate Chief Executive Officer's performance in light of those goals and objectives
2013 Meetings: 5	Establish Chief Executive Officer's compensation based on such evaluation
	P Approve compensation for executive vice presidents and other Section 16 officers
	Consider recommendations of Chief Executive Officer with respect to other executive officers compensation
	P Approve employment agreements, executive retirement plans and severance arrangements for senior vice presidents and above
	P Review cash incentive awards, long-term incentive compensation and stock option, employee pension and deferred compensation plans
	P Administer clawback policy
	P Manage director and officer indemnification matters
	P Consider the results of the stockholder advisory vote on executive compensation
	P Issue the Compensation Committee Report included in this proxy statement
	P Recommend Independent Director compensation

Our Compensation Committee may delegate its authority to subcommittees, except for authority to approve compensation levels and award grants for specified officers and any authority the committee is required to exercise by law or regulation. The committee has delegated to the Stock Award Subcommittee the authority to make restricted stock or stock unit grants to vice presidents and more junior employees of up to an annual

aggregate limit of 75,000 shares of our common stock. Ms. Martin is currently the sole member of the Stock Award Subcommittee.

For information regarding the Compensation Committee's retention of outside advisors, including its independent compensation consultant, see Compensation Governance Compensation Consultant and Development Process in the Compensation Discussion and Analysis section below.

Nominating and Corporate Governance Committee

Members:	Responsibilities:
Michael D. McKee, Chair	P
Brian G. Cartwright	
David B. Henry	P
Joseph P. Sullivan	
	Identify qualified candidates to become Board members
	Recommend director nominees for election by the stockholders
Independent: All	P
	P
2013 Meetings: 3	
	P
	Oversee the evaluation of the Board

Board and Stockholder Meeting Attendance

Our policy is that directors should make every effort to attend all meetings of the Board and the annual meeting of stockholders, as well as the meetings of committees of which they are members. During 2013, our Board held 11 formal meetings. Each of our

directors attended at least 75% of the meetings of the Board and each of its committees on which he or she served during 2013. All of our then-current Board members attended the 2013 annual meeting of stockholders.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Director Selection Process

Identifying and Evaluating Director Nominee Candidates

Our Nominating and Corporate Governance Committee does not set specific, minimum qualifications that nominees must meet in order to be recommended as a candidate for election to the Board. Rather, the committee considers a number of factors when reviewing potential nominees for the Board, including:

- P personal and professional integrity, ethics and values;
- P experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- P experience in our industry;
- P experience with relevant social policy concerns;
- P experience as a board member of another publicly held company;
- P the ability and willingness to commit adequate time to our Board and its committee matters;

P the fit of the individual's skills with those of the other members (and potential members) of our Board in building a board that is effective, collegial and responsive to HCP's needs;

P academic expertise in an area of HCP's operations; and

P practical and mature business judgment.

We do not have a formal policy for the consideration of diversity in identifying nominees for director. However, in addition to the criteria set forth above, the committee strives to create diversity in perspective, background and experience in the Board as a whole when identifying and selecting nominees for the Board. On an annual basis, as part of the Board's self-evaluation, the Board assesses whether the mix of Board members is appropriate.

In identifying and selecting potential director nominees, the Nominating and Corporate Governance Committee will consider candidates recommended by various sources, including any member of the Board, any stockholder or senior management. The committee may also hire a search firm. All potential director

nominees will be reviewed by the Chairman of the committee, or in the Chairman's absence, another member of the committee. The reviewing committee member will make an initial determination as to the qualifications and fit of the candidate based on the above criteria. If the reviewing committee member determines that it is appropriate to proceed, the Chief Executive Officer or at least one other member of the Nominating and Corporate Governance Committee will interview the candidate. Other Board members may also interview a prospective candidate. The committee will provide progress updates to the Board and will meet to consider and recommend final director candidates to the entire Board. The Board then determines which candidates are nominated or elected to fill a vacancy.

Stockholder Recommendations

The Nominating and Corporate Governance Committee will consider candidates properly recommended by stockholders in the same manner as recommendations received from other sources. Stockholder recommendations must be submitted in writing to the Chairman of the Nominating and Corporate Governance Committee, c/o HCP, Inc., 3760 Kilroy Airport Way, Suite 300, Long Beach, California 90806, together with the proposed candidate's name, address, age, appropriate biographical information, descriptions of the candidate's qualifications and the relationship, if any, to

the stockholder, together with any other information about the stockholder and the candidate that would otherwise be required pursuant to our Bylaws if the stockholder was nominating the candidate for election to the Board at an annual meeting of stockholders. Stockholders who would like to recommend a candidate for consideration by the Board in connection with the next annual meeting of stockholders should submit their written recommendation no later than January 1 of the year of the meeting.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Stockholder Nominations

In addition, our Bylaws permit stockholders to nominate director candidates for election to the Board at an annual meeting of stockholders. For a description of the process for nominating directors in accordance with our Bylaws, see [Other Matters](#) 2015 Stockholder Proposals.

Risk Oversight

Our Board believes that effective risk management involves our entire corporate governance framework. Management is responsible for identifying material risks, implementing appropriate risk management strategies, integrating risk management into HCP's decision making process, and ensuring that information with respect to material risks is transmitted to senior executives and our Board. Our Board, primarily through the Audit and Compensation Committees, provides overall oversight of the risk management process. The Board believes that its current leadership structure, described under the heading [Board Leadership Structure](#) above, is conducive to its risk oversight process.

audit function. The Board and Audit Committee are responsible for reviewing and discussing with management any significant risks or exposures faced by HCP, the steps management has taken to identify, mitigate, monitor or control such risks or exposures, and HCP's underlying policies with respect to risk assessment and risk management. The Compensation Committee is responsible for overseeing HCP's assessment and management of compensation-related risks and overall philosophy, as further described under the heading [Compensation Risk Assessment](#) in the [Compensation Discussion and Analysis](#) section of this proxy statement.

Consistent with NYSE rules, the Audit Committee provides Board level oversight with respect to risk assessment and risk management, including the integrity of HCP's financial statements and internal control over financial reporting, as well as the performance of HCP's internal

Each committee keeps the Board regularly informed regarding its risk oversight discussions and responsibilities, with reports to the Board following each regular committee meeting. In addition, management reports to the Board twice a year regarding enterprise risk management, with additional updates as necessary.

Corporate Governance and Compensation Practice Policies

Corporate Governance Guidelines

Our Board has adopted Corporate Governance Guidelines with respect to, among other things, Board composition, Board meetings, the Board's standing committees, stockholder communications with the Board, expectations for directors, succession planning

and Board and committee self-evaluation. A current copy of our Corporate Governance Guidelines is posted on the Investor Relations Corporate Governance section of our website at www.hcpi.com.

Codes of Business Conduct and Ethics

Our Board has adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, including the principal executive officer, principal financial officer, principal accounting officer and controller. Additionally, we adopted a Vendor Code of Business Conduct and Ethics (the "Vendor Code") on October 23, 2013, applicable to our vendors and business partners. The Vendor Code represents an integral part of our commitment to the highest ethical standards, ensuring that our employees and vendors work together to collectively uphold those standards.

A current copy of both codes of conduct are posted on the Investor Relations Corporate Governance Ethics section of our website at www.hcpi.com. Waivers from, and amendments to, our Code of Business Conduct and Ethics that apply to our directors and executive officers, including our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions, will be timely posted in the Investor Relations Corporate Governance Ethics section of our website at www.hcpi.com.

Clawback Policy

As described in the Compensation Discussion and Analysis section below, the Compensation Committee has also adopted a clawback policy that enables HCP to require reimbursement or cancellation of any portion of a cash or equity incentive award or other payment received by an executive in circumstances where

the amount of the payment or award was determined based on the achievement of financial results that were subsequently the subject of an accounting restatement due to noncompliance with a financial reporting requirement under the securities laws.

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[DIRECTOR COMPENSATION 2013](#)

Anti-Hedging Policy

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Our Board recognizes that hedging against losses in HCP securities may disturb the alignment between the interests of our officers and directors and those of our other stockholders, which our stock ownership guidelines are intended to build. For this reason, officers, directors and employees are prohibited from entering into short sales of our common stock, trading in puts and calls or

other derivative securities that relate to our common stock, and hedging or monetization transactions (such as prepaid variable forwards, equity swaps, collars and exchange funds) that are designed to hedge or offset any decrease in the market value of HCP securities.

Anti-Pledging Policy

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Our Board recognizes that a forced margin sale or foreclosure sale of HCP securities may negatively impact our stock price or violate our insider trading policy. Accordingly, in April 2013, the Board

adopted a policy that prohibits officers, directors and employees from holding HCP securities in a margin account or pledging HCP securities as collateral for a loan.

Stockholder Communications with the Board

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Stockholders or other interested parties who wish to contact members of our Board, the Chairman, any Board committee or our Independent Directors as a group may send written correspondence to the Board at 3760 Kilroy Airport Way, Suite 300, Long Beach, California 90806. The name of any specific intended Board recipients (such as our Chairman or the Independent Directors as a group) should be

clearly noted in the communication. Stockholders should provide proof of share ownership with their correspondence and appropriate contact information should be included in all correspondence. All communications will be received and processed by us and then directed to the appropriate member(s) of our Board.

DIRECTOR COMPENSATION 2013

Compensation paid to our Independent Directors for services in 2013, including Ms. Martin prior to her appointment as President and Chief Executive Officer effective October 2, 2013, consisted of (1) an annual retainer and annual equity award; (2) an additional retainer for acting as Chairman, Lead Director or Chair of the Audit or Compensation Committees; and (3) an additional retainer for members of a temporary advisory committee (other than its Chair, as described below), as presented in the following table.

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards (\$)(1) (c)	Option Awards (\$) (d)	Non-Equity Incentive Plan Compensation (\$) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) (f)	All Other Compensation (\$) (g)	Total (\$) (h)
Michael D. McKee	155,000	158,730					313,730
Lauralee E. Martin	56,456	158,730					215,186
Brian G. Cartwright(2)(3)	60,247	135,510					195,757
Christine N. Garvey	105,000	158,730					263,730
David B. Henry	95,000	158,730					253,730
Peter L. Rhein(3)	97,747	158,730					256,477
Kenneth B. Roath(4)	56,250	158,730					214,980
Joseph P. Sullivan(3)	97,747	158,730					256,477

(1) The amounts reported in Column (c) of the table above reflect the grant date fair value of the restricted stock unit awards granted to our Independent Directors during 2013 as determined under the principles used to calculate the grant date fair value of equity awards for purposes of the Company's consolidated financial statements. For a discussion of the assumptions and methodologies used to calculate the amounts referred to above, please see Note 16 Compensation Plans to the consolidated financial statements included in HCP's Annual Report on Form 10-K for the year ended December 31, 2013.

We granted each of our Independent Directors (including Mr. Roath, prior to his resignation), other than Mr. Cartwright, an award of 3,000 restricted stock units on April 25, 2013. Each of these awards had a value of \$158,730 based on the closing price of our common stock on the grant date. In connection with his appointment to the Board, Mr. Cartwright was granted 3,000 restricted stock units on July 25, 2013, with a value of \$135,510 based on the closing price of our common stock on the grant date. No option awards were granted to our Independent Directors during 2013. As of December 31, 2013, each of our Independent Directors held 7,500 unvested restricted stock units, except for Mr. Cartwright, who held 3,000 unvested restricted stock units. Each award was granted subject to the terms of the 2006 Performance Incentive Plan (the "2006 Plan"). The Board administers the 2006 Plan with respect to these awards and has the ability to interpret and make all required determinations under the 2006 Plan.

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DIRECTOR COMPENSATION 2013

(2) *Mr. Cartwright was appointed to the Board on July 2, 2013.*

(3) *The amount of cash fees paid to Messrs. Cartwright, Rhein and Sullivan for 2013 includes a monthly retainer of \$7,500 for service on the temporary advisory committee from July 25, 2013 to October 2, 2013. Mr. McKee chaired the temporary advisory committee, but did not receive any additional fees for his service.*

(4) *During the period that Mr. Roath was employed by HCP, he accrued an annual retirement benefit pursuant to HCP's Amended and Restated Executive Retirement Plan (the "SERP"). Mr. Roath is the only participant in this plan. Mr. Roath's SERP benefit paid by HCP in 2013 was \$624,629. This amount is not reported in the table above as it does not constitute compensation to Mr. Roath for his services as a director. Mr. Roath resigned from the Board effective September 27, 2013.*

Annual Retainers

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The following table sets forth the annual retainer for the directors, as well as additional annual retainers based on specified Board positions. In August 2013, the Compensation Committee recommended that the Board increase the retainer for the non-executive Chairman or Lead Director from \$30,000 to \$55,000 to better reflect the responsibilities of the position. HCP also reimburses Independent Directors for director education and travel expenses incurred in connection with their duties. Independent Directors are not provided any additional fees based on the number of meetings they attend.

	Annual Retainer (\$)
Annual Director Retainer	75,000
Non-Executive Chairman/Lead Director	55,000
Standing Committee Chair	
Audit Committee	30,000
Compensation Committee	20,000
Nominating and Corporate Governance Committee	

Annual Equity Awards

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Each year, an Independent Director who is elected at the annual meeting of stockholders receives an award of restricted stock units. In addition, each person who is initially elected or appointed as an Independent Director other than at the annual meeting may receive an award of restricted stock units. The number of shares subject

to these awards is determined by the Board at the time of grant. These awards vest ratably over four years from the date of grant and are subject to forfeiture if the director's service terminates prior to vesting. Additionally, the awards will automatically vest if the director's service terminates due to death, disability or a qualified retirement.

Director Stock Ownership Guidelines

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Independent Directors are required to accumulate and hold shares of HCP stock (including restricted stock and restricted stock units) equal in value to at least five times the amount of the annual cash retainer for directors (currently \$375,000). As to new Independent Directors, the guidelines are effective on the first May 15th that occurs more than five years after the director first becomes a member

of our Board. Once subject to the guidelines, a director's level of stock ownership will be reviewed annually on May 15th for as long as the director remains in office. All of our directors for whom the guidelines have become effective currently satisfy our director stock ownership guidelines.

Director Deferred Compensation Plan

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We maintain our Amended and Restated Director Deferred Compensation Plan (the Director Deferral Plan), which permits our Independent Directors to elect to defer their annual retainers. Amounts deferred under the Director Deferral Plan are payable upon the termination of service on the Board or such earlier date as elected by the director. A director participating in the Director Deferral Plan may elect to have deferred compensation

and transferred accruals credited to (i) an interest rate account wherein the deferrals and transferred amounts accrue interest at a rate equal to the current prime rate minus one percent, or (ii) a stock credit account wherein the deferrals and transferred amounts are treated as if invested in HCP common stock with the account increasing for dividends paid, and increasing or decreasing with changes in HCP's stock price.

Non-Employee Director Stock-for-Fees Program

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Under the Non-Employee Director Stock-for-Fees Program, each of our Independent Directors may elect to receive all or a portion of their annual retainer in the form of shares of our common stock in lieu of payment in cash. If a director elects to receive fees in the form of stock, the director's election will apply to all fees that would otherwise be paid in cash, commencing with HCP's fiscal quarter after the election is made. Shares will be issued to

directors who elect to receive stock under the program as soon as practicable after HCP pays an ordinary cash dividend to its stockholders following the quarter during which the election was made, and the number of shares to be issued will be determined by dividing (i) the amount of the fees by (ii) the average closing price of our common stock for the ten trading days ending with the dividend payment date.

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OUR EXECUTIVE OFFICERS

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The following sets forth biographical information regarding our executive officers, other than Ms. Martin, whose biographical information is set forth under the heading "Proposal No.1 Election of Directors Director Nominees" above.

Jonathan M. Bergschneider, 39, is Executive Vice President Life Science Estates. He served as our Senior Vice President Life Science Estates from January 2008 to May 2011. Mr. Bergschneider joined HCP in 2007 as Vice President in conjunction with our acquisition of Slough Estates (USA). He was previously employed by Slough Estates from 2000 to 2007 during the creation and build-out of that company's life science portfolio.

Paul F. Gallagher, 53, became our Executive Vice President and Chief Investment Officer in May 2006 after joining HCP as Executive Vice President Portfolio Strategy in October 2003. From 1988 until he joined HCP, Mr. Gallagher was employed by GE Capital Real Estate in various positions, including as Managing Director of its Strategic Ventures department.

Thomas D. Kirby, 67, became our Executive Vice President Acquisitions and Valuations in January 2009. He previously served as our Senior Vice President Acquisitions and Valuations since February 2006. Prior to that time, Mr. Kirby served as Vice President Acquisitions and Valuations of HCP since November 1998. He joined HCP after 20 years with Valuation Counselors, Inc., a national healthcare valuation firm.

Thomas M. Klaritch, 56, is Executive Vice President Medical Office Properties. From October 2003 through April 2008, he served as our Senior Vice President Medical Office Properties. Prior to that, he was a founding member and Chief Financial Officer of MedCap Properties LLC, a real estate company located in Nashville, Tennessee that owned, operated and developed real estate in the healthcare field. HCP acquired MedCap Properties LLC in October 2003. Mr. Klaritch is a certified public accountant.

James W. Mercer, 69, became our Executive Vice President, General Counsel and Corporate Secretary in July 2011 and, additionally, our Chief Administrative Officer in January 2014.

He was previously Of Counsel at Bryan Cave LLP for five years. Mr. Mercer has over 40 years of experience serving in both legal counsel and senior management capacities, including 15 years as a Partner at Hennigan, Mercer & Bennett and five years as Special Counsel at WebMD Corporation, a leading health information provider.

Timothy M. Schoen, 46, became our Executive Vice President and Chief Financial Officer in May 2011. He was previously our Executive Vice President Life Science and Investment Management since January 2009 and prior to that time was our Senior Vice President Investment Management since January 2007 and our Vice President Acquisitions/Dispositions from April 2006 to January 2007. From 1997 until he joined HCP, Mr. Schoen was employed by Kilroy Realty Corporation (NYSE: KRC), a REIT that owns, develops and operates office and industrial buildings, and served as its Vice President, Corporate Finance.

Susan M. Tate, 53, is Executive Vice President. She served as Executive Vice President Post-Acute and Hospitals from February 2012 to February 2014. From January 2009 through February 2012, she served as our Executive Vice President Asset Management and Senior Housing, and from February 2007 through January 2009 she served as our Senior Vice President Asset Management. Prior to joining us, Ms. Tate spent 19 years at JPMorgan and its predecessor institutions in both healthcare and real estate lending positions, including as Vice President, Real Estate Corporate Banking.

Kendall K. Young, 53, is Executive Vice President Senior Housing. From September 2010 through February 2012, he served as Executive Vice President. Prior to joining us, from May 2007 to September 2010, he was affiliated with Strategic Value Partners in Greenwich, Connecticut, where he was a Managing Director. In his position as Global Head of Asset Management, Mr. Young was responsible for managing all aspects of a large commercial property portfolio. Before that, he held Managing Director positions with Merrill Lynch and GE Capital Real Estate, where he originated

transactions and managed large U.S. and international portfolios of real estate equity and debt investments.

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CERTAIN TRANSACTIONS

Related Person Transaction Policies and Procedures
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Our Code of Business Conduct and Ethics provides that all employees and directors should avoid any private interest that influences their ability to act in the interests of HCP or that makes it difficult to perform their work objectively and effectively, and requires that employees and directors fully disclose any situations that reasonably would be expected to give rise to a conflict of interest with HCP. Any waiver of these conflict of interest rules for our directors or executive officers requires the approval of our Board or the appropriate committee of the Board and will be granted only in extraordinary circumstances.

In addition, it is our policy that all potential related person transactions, which are defined as transactions required to be reported under Item 404 of Regulation S-K under the Securities Exchange Act of 1934, as amended (the Exchange Act), are first screened by our General Counsel for materiality

and then sent to the Audit Committee for review. The Audit Committee Charter states that the Audit Committee shall discuss with management and HCP's independent registered public accounting firm any related person transactions brought to the committee's attention which could reasonably be expected to have a material impact on our financial statements. In determining whether to approve or reject a related person transaction, the committee takes into account, among other factors it deems appropriate, whether the proposed transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, as well as the extent of the related person's economic interest in the transaction. Audit Committee review and approval of related person transactions is evidenced in the minutes of the applicable meeting.

Related Person Transactions

There were no related person transactions identified for 2013.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers to file with the SEC reports of initial ownership and reports of changes in ownership of our equity securities. Based on a review of the reports furnished to us, as well as the written responses to annual directors and officers questionnaires, we believe that during 2013 all of our directors and officers timely filed all reports they were required to file under Section 16(a), except for two reports on Form 4 (involving one transaction each) for Scott A. Anderson. These two Form 4s were inadvertently filed late solely due to an administrative error of the Company.

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SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS, DIRECTORS AND MANAGEMENT

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The following table sets forth certain information as of March 7, 2014 (unless otherwise indicated) regarding the beneficial ownership, as that term is defined in Rule 13d-3 under the Exchange Act, of shares of our common stock by (1) each person known to beneficially own more than 5% of our outstanding common stock, (2) each director and nominee for election as director, (3) each of

the executive officers named in the Summary Compensation Table on page 30 and (4) all current directors and executive officers as a group. This table is based on Company records and information supplied to us by our executive officers, directors and principal stockholders or included in a Schedule 13G, or an amendment thereto, filed with the SEC.

Name of Beneficial Owner	Shares Beneficially Owned(1)		Percent of Class(4)
	Number of Shares(2)	Number of Options/RSUs(3)	
Greater than 5% Stockholders			
The Vanguard Group, Inc. and affiliates 100 Vanguard Blvd. Malvern, PA 19355	54,212,104(5)		11.84%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	38,740,592(6)		8.46%
State Street Corporation State Street Financial Center One Lincoln Street Boston, MA 02111	29,593,251(7)		6.46%
Directors			
Michael D. McKee	147,500(8)	7,500	*
Brian G. Cartwright			
Christine N. Garvey	11,015(9)	7,500	*
David B. Henry	26,896	7,500	*
Peter L. Rhein	28,900(9)	7,500	*
Joseph P. Sullivan	52,220	7,500	*
Kenneth B. Roath(10)	257,716(11)		*
Named Executive Officers			
Lauralee E. Martin(12)	186,980	62,211	*
Paul F. Gallagher	96,825(9)	154,015	*
Thomas M. Klaritch	267,023(13)	170,924	*
James W. Mercer	33,337	27,675	*
Timothy M. Schoen	44,526	44,197	*
James F. Flaherty III(14)	598,876(15)	1,359,844	*
All current directors, director nominees, current Named Executive Officers and other executive officers as a group (16 persons)(12)	984,991	579,229	*

* Less than 1%

(1) Except as otherwise noted and subject to applicable community property laws, each individual has sole voting and investment power with respect to the shares listed.

(2) Includes shares of unvested restricted stock as to which the holder has sole voting but not investment power, as follows: Ms. Martin, 131,673; and other executive officers included with the named individuals as a group, 8,965.

(3) For current executive officers, consists of shares issuable upon exercise of outstanding stock options that are currently vested or will vest within 60 days following March 7, 2014. For Ms. Martin, also consists of shares represented by unvested restricted stock unit awards that will vest within 60 days of March 7, 2014. For the Independent Directors, consists of shares represented by unvested restricted stock unit awards that will vest within 60 days of March 7, 2014 and additional shares represented by unvested restricted stock unit awards that will automatically vest upon the director's qualified retirement from HCP. For Mr. Flaherty, consists of shares issuable upon exercise of outstanding stock options that are currently vested and vested restricted stock units and dividend equivalents that are payable within 60 days of March 7, 2014.

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(4) Unless otherwise indicated, based on 458,043,035 shares outstanding at March 7, 2014. In addition, for purposes of computing the percentage of shares held by an individual, the number of shares outstanding includes (a) shares issuable within 60 days following March 7, 2014 upon exercise of outstanding stock options and (b) shares represented by unvested restricted stock units that will vest within 60 days of March 7, 2014 or upon the individual's qualified retirement from HCP, but, in each case, such shares are not included in the number of shares outstanding for purposes of computing the percentage of shares held by any other person.

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SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS, DIRECTORS AND MANAGEMENT

(5) *Share and beneficial ownership information for The Vanguard Group, Inc. (Vanguard) is given as of December 31, 2013, and was obtained from a Schedule 13G/A filed on February 11, 2014 with the SEC. According to the Schedule 13G/A, Vanguard has sole voting power over 1,312,203 shares, shared voting power over 297,800 shares, sole dispositive power over 53,111,781 shares and shared dispositive power over 1,100,323 shares of our common stock. The Schedule 13G/A states that Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., each a wholly-owned subsidiary of Vanguard, are the beneficial owners of 583,423 and 1,245,680 shares, respectively, as a result of serving as investment managers of collective trust accounts and of Australian investment offerings, respectively. The number of shares reported as beneficially owned by Vanguard in Vanguard's Schedule 13G/A includes 30,854,850 shares, representing 6.76% of our outstanding common stock, that Vanguard Specialized Funds Vanguard REIT Index Fund (Vanguard REIT Fund) separately reported as beneficially owned in a Schedule 13G/A filed on February 4, 2014 with the SEC. According to Vanguard REIT Fund's Schedule 13G/A, Vanguard REIT Fund has sole voting power over 30,854,850 shares and no dispositive power over any shares of our common stock.*

(6) *Share and beneficial ownership information for BlackRock, Inc. (BlackRock) is given as of December 31, 2013, and was obtained from a Schedule 13G/A filed on January 29, 2014 with the SEC. According to the Schedule 13G/A, BlackRock has sole voting power over 34,625,023 shares and sole dispositive power over 38,740,592 shares of our common stock. The Schedule 13G/A states that various persons have the right to receive or the power to direct the receipt of dividends from or the proceeds from the sale of our common stock but that no one person's interest in our common stock is more than 5% of the total outstanding common shares.*

(7) *Share and beneficial ownership information for State Street Corporation (State Street) is given as of December 31, 2013, and was obtained from a Schedule 13G filed on February 3, 2014 with the SEC. According to the Schedule 13G, State Street has shared voting power and shared dispositive power over 29,593,251 shares of our common stock.*

(8) *Includes 22,700 shares held in a family trust.*

(9) *Consists of shares held in a family trust.*

(10) *Mr. Roath resigned from the Board effective September 27, 2013, at which time all of his unvested restricted stock units automatically vested in full.*

(11) *Includes 16,703 shares held by a charitable foundation for which Mr. Roath exercises voting and investment control. Shares held by Mr. Roath are available as collateral for a line of credit account.*

(12) *Ms. Martin was elected HCP's President and Chief Executive Officer effective October 2, 2013 and is also a member of our Board of Directors.*

(13) Includes 60,000 shares held in irrevocable trusts for the benefit of Mr. Klaritch's children. Mr. Klaritch disclaims beneficial ownership of these shares.

(14) Mr. Flaherty was terminated as HCP's Chairman, Chief Executive Officer and President effective October 2, 2013 and resigned as a member of the Board effective October 28, 2013.

(15) Includes 573 shares held in an IRA by Mr. Flaherty's wife and 276 shares held in a trust for the benefit of Mr. Flaherty's children. Mr. Flaherty disclaims beneficial ownership of these shares. Mr. Flaherty's remaining shares are held in a family trust.

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PROPOSAL NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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Our Audit Committee has appointed Deloitte & Touche LLP (Deloitte) as HCP 's independent registered public accounting firm for the fiscal year ending December 31, 2014, and is submitting its selection for ratification by our stockholders. The Audit Committee carefully considered Deloitte 's qualifications, including the qualifications of Deloitte 's audit engagement team, the quality control procedures Deloitte has established and any issues raised by the Public Company Accounting Oversight Board 's most recent quality control review of Deloitte. The Audit Committee 's review also

included the matters regarding auditor independence discussed under the heading Audit Committee Report, including whether the nature and extent of non-audit services would impair Deloitte 's independence. Services provided to HCP and its subsidiaries by Deloitte in fiscal years 2013 and 2012 are described under the heading Audit and Non-Audit Fees.

A representative of Deloitte is expected to attend the Annual Meeting and will have an opportunity to make a statement and be available to respond to appropriate questions.

Voting Standard

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Ratification of the appointment of Deloitte as our independent registered public accounting firm for the fiscal year ending December 31, 2014 requires the affirmative vote of a majority of the votes cast on this proposal at the Annual Meeting. Although ratification of the appointment of Deloitte is not required by our organizational documents or applicable law, the Audit Committee and the Board believe it is a good corporate practice to request

stockholder ratification of the appointment. If the stockholders do not ratify the appointment of Deloitte, the Audit Committee will consider other firms. The Audit Committee retains the power to replace the independent registered public accounting firm whose appointment was ratified by stockholders if the Audit Committee determines that it is in the best interests of HCP.

Board Recommendation

Our Board recommends that you vote FOR ratification of the appointment of Deloitte as HCP's independent registered public accounting firm for the fiscal year ending December 31, 2014.

AUDIT AND NON-AUDIT FEES

Fee Information

The following table shows information about the respective fees billed by Deloitte during or related to the fiscal years ended December 31, 2013 and December 31, 2012. Deloitte has served as HCP's independent registered public accounting firm since March 3, 2010.

	2013 (\$ in thousands)	2012 (\$ in thousands)
Audit Fees(1)	1,837	2,147
Audit-Related Fees(2)	216	269
Tax Fees(3):		
Tax Compliance(4)	512	530
Tax Planning and Tax Advice(5)	1,021	218
All Other Fees(6)		207
TOTAL	3,586	3,371

(1) Audit fees include fees and out-of-pocket expenses billed for the audit of our annual consolidated financial statements and internal control over financial reporting, the review of the interim consolidated financial statements included in our Quarterly Reports on Form 10-Q, and other SEC registration statement and consent services.

(2) Audit-related fees include fees for the separate audits of our consolidated subsidiaries and unconsolidated joint ventures.

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AUDIT COMMITTEE REPORT

(3) *Tax fees consist of tax compliance fees and tax planning and tax advice fees.*

(4) *Tax compliance primarily involves the preparation or review of tax returns.*

(5) *Tax planning and tax advice encompass a diverse range of services, including tax advice related to acquisitions, investments, consultation regarding the impact of proposed actions/activities on REIT qualification, and consultation regarding the foreign, federal, state and local tax issues related to various transactions. In 2013, tax planning and tax advice fees included consultation regarding tax issues related primarily to acquisition activity, as well as other fees related to our leadership transition.*

(6) *All other fees in 2012 consisted of fees for consulting services provided in connection with our sustainability processes and reporting.*

Policy on Pre-Approval of Audit and Permissible Non-Audit Services

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The Audit Committee considered whether the provision of the non-audit services by Deloitte to HCP was compatible with maintaining the audit firm's independence and concluded that Deloitte's independence was not compromised by the provision of such services. The Audit Committee must pre-approve all audit and permitted non-audit services performed by Deloitte.

The Audit Committee has delegated its pre-approval responsibility to its Chair, provided that the Chair presents any pre-approvals related to audit and permitted non-audit services to the Audit Committee at its next scheduled meeting. The Audit Committee pre-approved all services provided by Deloitte in the fiscal years ended December 31, 2013 and December 31, 2012.

AUDIT COMMITTEE REPORT

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The Audit Committee consists of three members: Ms. Garvey and Messrs. Cartwright and Rhein. All the members are independent directors under applicable NYSE and SEC rules. The Audit Committee has certain duties and powers as described in its written charter adopted by the Board. A copy of the charter can be found on our website at www.hcpi.com under Investor Relations Corporate Governance Committee Charters.

The Audit Committee oversees HCP's financial reporting process on behalf of the Board. Management has the primary responsibility for establishing and maintaining adequate internal financial controls, for preparing the financial statements and for the public reporting process. Deloitte, HCP's independent registered accounting firm for 2013, is responsible for expressing opinions on the conformity of the Company's audited consolidated financial statements with generally accepted accounting principles and on the Company's internal control over financial reporting.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed with management and Deloitte the

audited consolidated financial statements for the year ended December 31, 2013 and Deloitte's evaluation of our internal control over financial reporting. The Audit Committee has discussed with Deloitte the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees issued by the Public Company Accounting Oversight Board. The Audit Committee also received the written disclosures and the letter from Deloitte required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte's communications with the Audit Committee concerning independence, and the Audit Committee discussed with Deloitte their independence.

Based on the Audit Committee's review of the audited consolidated financial statements and the review and discussions described in the foregoing paragraph, the Audit Committee recommended to the Board that the audited consolidated financial statements for the year ended December 31, 2013 be included in HCP's Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC.

Audit Committee of the Board of Directors

Christine N. Garvey (Chair)

Brian G. Cartwright

Peter L. Rhein

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EXECUTIVE COMPENSATION

A Message To Our Stockholders

In 2013, as part of our change in leadership, our Compensation Committee proactively undertook a comprehensive redesign of our executive compensation programs that uses transparent metrics designed to optimize alignment of our executives' interests with those of our stockholders.

David B. Henry

Chair of the Compensation Committee

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the following Compensation Discussion and Analysis, and based upon this review and discussion, has recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted by members of the Compensation Committee:

David B. Henry, Chair

Brian G. Cartwright

Peter L. Rhein

Joseph P. Sullivan

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (CD&A) describes our new and improved performance incentive plan for our NEOs. In particular, this CD&A explains our 2013 Company accomplishments, overall philosophy and new executive compensation program, including how the performance metrics of the new program are designed to accomplish our objectives. Additionally, this CD&A discusses the supporting compensation governance policies and provides details regarding the compensation awarded to our NEOs for 2013. This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Future compensation programs that we adopt may differ materially from currently planned programs, though none are anticipated at this time.

2013 Company Accomplishments

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This past year was one of substantial change and uncertainty in the healthcare industry, which we believe has created opportunities for HCP to address the significant new challenges that we and our operators are facing. Despite such uncertainty, we achieved strong operating and financial performance, successfully managed through a change in leadership and continued to have important discussions with our operators on their strategic priorities and capital needs in the wake of healthcare reform initiatives. In 2013, some of our accomplishments included:

- ii Achieved an 8% growth in FFO as adjusted per share and 12% growth in earnings per share.

- ii Increased FAD per share by 14% (a measure supporting consistent dividend growth).

- ii Generated 3.1% same store cash NOI growth.

- ii Completed approximately \$600 million of investments.

- ii Raised \$800 million of 10-year bonds at an attractive 4.25% coupon.

- ii Continued to improve our credit profile by reducing Financial Leverage to 39%, Secured Debt Ratio to 6.8% (the lowest level in over seven years) and Net Debt to Adjusted EBITDA below 5.0x.

- ii Increased the quarterly cash dividend in January 2014 by 3.8% to \$0.545 per share (annualized rate of distribution per share for 2014 is \$2.18, compared with \$2.10 for 2013).

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[COMPENSATION DISCUSSION AND ANALYSIS](#)

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HCP has delivered 29 years of consecutive dividend growth and is the only REIT in the S&P 500 Dividend Aristocrats Index, which recognizes S&P 500 companies that have increased their dividend for at least 25 consecutive years and have a market

capitalization in excess of \$3 billion. We are proud of this exclusive achievement, which represents our commitment to consistently grow stockholder value.

Our Compensation Philosophy

At HCP's annual meetings over the past three years, our stockholders have supported the advisory vote to approve the compensation of our NEOs (often referred to as "say on pay") with **over 97% approval of the votes cast in 2013, 96% approval of the votes cast in 2012 and 96% approval of the votes cast in 2011**. Even though we achieved such positive support from our stockholders, the Compensation Committee determined to proactively redesign and improve our executive compensation program to reflect best corporate practices in executive compensation.

Our revised approach provides balanced incentives for our executives through a mix of base salary and performance-based compensation. Under our new plan, a significant portion of total direct compensation is dependent upon the achievement of Company and individual performance goals across varying metrics and performance periods. This variable compensation creates greater alignment with the interests of our stockholders, promotes the execution of our business strategy in a manner that focuses on the creation of long-term value and encourages prudent risk management.

2013 Transition and Overview of Our New 2014 Compensation Program

Our 2013 executive compensation program reflects a transition from our old compensation plan to our new 2014 compensation plan. As part of our transition, the Compensation Committee first determined that HCP met the 2013 FFO per share target set by the committee in January 2013 in connection with the presentation of the annual operating plan to our Board. Next, the Compensation Committee overlaid the new STIP and LTIP performance metrics to determine the NEOs' actual 2013 incentive compensation. This transitional approach better links 2013 compensation to the promotion of long-term stockholder value through more robust and objective performance criteria. Additionally, in accordance with the objectives under our new plan, the application of the new STIP and LTIP metrics increased the at risk component of our NEOs' compensation, added rigor and transparency to our 2013 compensation program and better aligned our executives' interests with those of our stockholders.

Performance-based incentive compensation constitutes one of the key focuses of our compensation practice. STIP and LTIP compensation are each determined based on objective Company performance metrics and individualized objectives, both of which include both specified quantitative Company performance metrics and qualitative individual performance goals, as further described below. Our multifaceted LTIP is split evenly between a time-vested retentive component and a forward-looking, three-year performance-based component that directly measures HCP's performance against relative total stockholder return (TSR) and Net Debt to Adjusted Pro Forma EBITDA performance criteria. The objective metrics, individual goals and target incentive awards will be established for each NEO at the beginning of the performance period by the Compensation Committee.

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COMPENSATION DISCUSSION AND ANALYSIS

Our new STIP and LTIP are illustrated below:

SHORT-TERM INCENTIVE PLAN (STIP)

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COMPENSATION DISCUSSION AND ANALYSIS

LONG-TERM INCENTIVE PLAN (LTIP)

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COMPENSATION DISCUSSION AND ANALYSIS

Company Performance Metrics

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Of our executives' short- and long-term incentive compensation, 50% is based on the achievement of Company performance hurdles established at the beginning of the applicable performance period by the Compensation Committee. We use normalized FFO per share as the basis for our Company performance-based STIP metric and normalized FAD per share for our LTIP metric. Additional information regarding FFO, FAD, and other non-GAAP measures is included in Appendix A to this proxy statement.

In addition, while the determination of the LTIP award is first predicated on specific normalized FAD per share and various individual metrics, once granted, 50% of the award remains at risk and the ultimate amount of compensation received is subject to three-year, forward-looking performance based on relative

TSR and Net Debt to Adjusted Pro Forma EBITDA. We refer to this portion of the award as the 3-Year LTIP. The 3-Year LTIP vests based 70% on the achievement of relative TSR compared to the FTSE NAREIT Health Care and MSCI US REIT Indices (on a weighted average of 75% and 25%, respectively) and 30% based on balance sheet management measured by Net Debt to Adjusted Pro Forma EBITDA. The remaining 50% of the award will vest ratably over time and is referred to as the Annual LTIP.

The table below summarizes the use of Company-based performance metrics in our new executive compensation plan, as well as the reasons that we believe these metrics promote long-term stockholder value.

Performance Metric	Component	Significance
Normalized FFO per share	STIP	<ul style="list-style-type: none"> • FFO per share is a commonly used REIT financial metric defined by NAREIT; normalized FFO per share is adjusted to exclude non-recurring charges related to strategic or financing transactions, litigation, severance and impairments. • Allows stockholders to compare operating performance among REITs over time on a consistent basis. • May significantly impact the trading price of a REIT's common stock and is, therefore, a significant contributor to TSR.
Normalized FAD per share	LTIP	<ul style="list-style-type: none"> • FAD per share is a REIT financial metric; normalized FAD per share is adjusted to exclude the non-recurring charges described above. • Measures long-term growth in cash flow that is available for distribution to stockholders. • Supports our consistent dividend growth and continued inclusion as the only REIT in the S&P 500 Dividend Aristocrats Index.
Relative TSR (75% to FTSE NAREIT Health Care Index; 25% to MSCI US REIT Index)	3-Year LTIP (70%)	<ul style="list-style-type: none"> • Measure of TSR performance and creation of stockholder value. • Allows stockholders to evaluate the Company's TSR relative to a weighted average of a U.S. healthcare REIT index (industry focus) and a U.S. equity REIT index (broad market focus) to provide a comprehensive assessment of performance that impacts all peer participants.
Net Debt to Adjusted Pro Forma EBITDA	3-Year LTIP (30%)	<ul style="list-style-type: none"> • Reflects the strength of the balance sheet and the ability to generate sufficient earnings to meet debt obligations as the portfolio grows. • A strong balance sheet is especially important for REITs as they are required to distribute a substantial portion of their annual income to their stockholders. • A strong balance sheet also enables us to pursue acquisition opportunities. • Balances normalized FFO and FAD per share metrics within the STIP and LTIP to prevent overleveraging the balance sheet.

Individual Performance Metrics

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The other 50% of the executives' short- and long-term incentive compensation under our revised approach is determined by individually designed, rigorous goals set by the Compensation Committee at the beginning of the performance period.

With respect to the STIP, our executives are only eligible to receive one-half of the STIP award based on individual performance if HCP achieves a threshold normalized FFO per share hurdle. To the extent the hurdle is not met, this one-half of the award will be zero. To the extent the hurdle is met, the Compensation Committee will next consider the individual goals, as well as Company operating metrics, which include real estate investments, capital expenditure investments and non-stabilized assets management.

Similarly, with respect to the LTIP, one-half of the LTIP award based on individual performance is subject to a threshold normalized FAD per share hurdle. Once the hurdle is met, the Compensation Committee will consider the achievement of individual goals and Company operating metrics, which include same store cash NOI growth, FAD dividend payout ratio and balance sheet management.

Under the STIP and LTIP, if the individual performance hurdles are met, the Compensation Committee nevertheless retains negative discretion to reduce the individual performance based portion of the awards to the extent that the committee believes the executive did not completely achieve his or her individual goals.

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COMPENSATION DISCUSSION AND ANALYSIS

2013 Individual Performance Considerations

With respect to the 2013 performance year, the Compensation Committee considered the following individual achievements in determining the amount of the executives' incentive awards.

Lauralee E. Martin, President and Chief Executive Officer

- ii Successfully assumed the role of HCP's President and Chief Executive Officer by effectively collaborating with the Board and leading HCP's management team
- ii After assuming office on October 2, 2013, led HCP as it finished a financially successful 2013; achievement of FFO as adjusted of \$3.01 per share, an increase of 8% year-over-year; achievement of FAD of \$2.52 per share, an increase of 14%, year-over-year; completion of approximately \$600 million of investments and achievement of 3.1% in same store cash NOI growth while maintaining a strong balance sheet
- ii Represented HCP externally, including with the media, tenants, operators, managers, the investor community and industry organizations, as our new President and Chief Executive Officer to communicate our new leadership structure and our continuing strategy to enhance long-term stockholder value
- ii Promoted a motivated and supportive team culture through skillful communication, exemplary teamwork and demonstrated integrity

Paul F. Gallagher, Executive Vice President and Chief Investment Officer

- ii Served as the head of the Company's Investment Committee
- ii Supervised each of the executive vice presidents heading our five distinct business segments: senior housing, post-acute/skilled nursing, life science, medical office and hospital
- ii Completed approximately \$600 million of investments, including:
 - \$178 million in UK-based Barchester debt investments that resulted in a \$0.05 gain to FFO per share
 - \$420 million of other accretive investments
- ii Managed \$195 million of capital budget including \$65 million of recurring capital
- ii Oversaw the asset management of our \$21.7 billion portfolio
- ii Oversaw the upgrade of our real estate portfolio via asset swap and dispositions totaling \$111 million with existing operators

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- ii Drove same store cash NOI growth of 3.1%, the 5th consecutive year of growth in excess of 3%
- ii Managed occupancy increases of our life science same store portfolio to 93.7% (all-time high), as well as our medical office same store portfolio to 92.6% (highest since 2007)
- ii Managed the leasing of our life science and medical office portfolios where over 2.8 million square feet of space was leased

Timothy M. Schoen, Executive Vice President and Chief Financial Officer

- ii Assisted in managing Company growth to exceed the FFO and FAD per share targets established under our 2013 annual operating plan
- ii Assisted in achieving 3.1% in same store cash NOI growth, in line with budget and managing our portfolio with corporate overhead of 0.35% of gross unde depreciated assets
- ii Oversaw the stabilization of \$137 million of assets, reducing the non-stabilized asset pool to 3.5% of the overall portfolio, down from 6.0% two years ago
- ii Developed and presented the Company's annual operating plan to the Board and assisted the Board in connection with the annual dividend increase
- ii Managed HCP's strong balance sheet: Financial Leverage was reduced to 39%, Secured Debt Ratio was reduced to 6.8%, and Net Debt to Adjusted EBITDA was below 5.0x
- ii Oversaw all capital market activity, including the issuance of \$800 million of 4.25% senior notes due 2023
- ii Successfully managed insurance coverage and risk management programs
- ii Successfully collaborated with business development, underwriting and portfolio management to achieve 2013 growth rates

James W. Mercer, Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary

- ii Provided overall leadership and direction to the legal and human resources departments
- ii Provided legal support for the completion of approximately \$600 million of investments and the issuance of \$800 million of 4.25% senior notes due 2023
- ii Oversaw the extension of leases on three acute-care hospital leases with Tenet Healthcare Corporation, which led to the retention of \$23 million of recurring annual rent and the avoidance of potential FFO and FAD dilution in 2014
- ii Coordinated initiatives to improve corporate governance and compensation practices, which contributed to improved stockholder advisory scores
- ii Initiated a Company-wide enterprise content management program
- ii Led our sustainability reporting initiatives with external reporting agencies (GRI, CDP, etc.)

Thomas M. Klaritch, Executive Vice President Medical Office Properties

- ii Oversaw operations for our medical office segment, which accounted for approximately 17% of total revenues
- ii Achieved same store cash NOI growth of 2.3% in our medical office segment
- ii Increased same property occupancy for our medical office portfolio to 92.6%, the highest since 2007
- ii Led the Company's sustainability efforts
- ii Oversaw the management of third-party property management firms in our medical office and life science portfolios
- ii Managed the engineering team for oversight of capital expenditures in accordance with our annual operating plan

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COMPENSATION DISCUSSION AND ANALYSIS

2013 NEO Compensation

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The components of 2013 executive compensation included base salary, annual cash incentive compensation for 2013 performance, and long-term equity incentive opportunities in the form of performance-based LTIP awards, the grant date fair value of which is based on 2013 performance. One half of the LTIP awards is also subject to forward-looking quantitative Company performance criteria under our new compensation plan.

The compensation paid to our NEOs is reported in the 2013 Summary Compensation Table on page 30 of this proxy statement as required by SEC rules. We are also providing the supplemental compensation information below to provide our stockholders with a more complete picture of the compensation to our NEOs for 2013 performance. The table below shows the NEOs' base salary, annual cash incentive award and long-term equity incentive award value for services performed in 2013, 2012 and 2011. In contrast to the Summary Compensation

Table, which discloses the grant date fair value of equity awards in the year the awards are granted, the table below discloses the grant date fair value of equity awards relating to the year of performance (i.e., generally in the year immediately before the year in which they are granted). For example, the table below discloses the grant date fair value of equity awards granted in January 2014 as compensation for the NEOs for services performed in 2013. As previously discussed, as part of our transition to the new 2014 compensation plan, the Compensation Committee first applied the criteria under our old compensation plan, and then overlaid the new STIP and LTIP performance metrics of our new compensation plan to determine the NEOs' actual 2013 incentive compensation. The following information should be read in conjunction with the Summary Compensation Table as well as the following tables and narrative descriptions.

Compensation Based on Performance Year
--

Name	Performance Year	Base Salary (\$)	Annual Cash Incentive Award \$(1)	Long-Term Equity Incentive Award Value \$(2)	Total Compensation \$(3)
Lauralee E. Martin(4)	2013	196,970	2,200,000	5,119,114	7,516,084
Paul F. Gallagher	2013	500,000	1,350,000	1,970,855	3,820,855
	2012	500,000	1,250,000	1,750,057	3,500,057
	2011	500,000	975,000	2,525,044	4,000,044
Timothy M. Schoen(5)	2013	500,000	1,150,000	1,407,794	3,057,794
	2012	500,000	1,050,000	1,200,039	2,750,039
	2011	438,021	781,250	999,960	2,219,231
James W. Mercer(6)	2013	500,000	1,150,000	1,407,794	3,057,794
	2012	500,000	950,000	1,300,066	2,750,066
Thomas M. Klaritch	2013	350,000	525,000	700,036	1,575,036
	2012	350,000	500,000	625,067	1,475,067
	2011	350,000	450,000	550,030	1,350,030

(1) The amounts reported in this Column consist of those amounts shown in the Non-Equity Incentive Plan Compensation Columns, as applicable, of the Summary Compensation Table on page 30 of this proxy statement. As described in this Compensation Discussion and Analysis section, each of the Named Executive Officers received an annual cash incentive award for performance in 2013 under our Executive Bonus Program.

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COMPENSATION DISCUSSION AND ANALYSIS

(2) The amounts reported in this Column for each year reflect the fair value on the grant date of the restricted stock unit awards and option awards granted to our NEOs at the end of, or shortly following, the specified performance year and that, in the Compensation Committee's view, are intended to serve as compensation for that particular year (e.g., the grant date fair value of the awards that were granted in February 2014 with respect to 2013 performance are shown as compensation for performance year 2013). However, the grant date fair value of the following awards, as well as the awards granted to Ms. Martin and Messrs. Gallagher, Schoen and Mercer in connection with the leadership transition, as described in the table under One-Time Leadership Transition Awards on page 25, are excluded from the above table since such awards were not based on the relevant year's performance:

Name	Grant Date	One-Time Award	Grant Date Fair Value(a) (\$)	Special Event
Paul F. Gallagher	May 30, 2011	33,584 restricted stock units	1,249,996	Mr. Gallagher's significant contributions to HCP's April 2011 acquisition and long-term triple net master lease of HCR ManorCare, Inc. (HCR) and HCP's exercise of its option to purchase an equity interest in the operations of HCR at the closing of the transaction, which spanned both 2010 and 2011
Timothy M. Schoen	May 30, 2011	13,432 restricted stock units	499,939	Mr. Schoen's promotion to Executive Vice President and Chief Financial Officer
James W. Mercer	July 1, 2011	20,253 restricted stock units	755,842	Mr. Mercer's selection as Executive Vice President, General Counsel and Corporate Secretary

(a) For a discussion of the assumptions and methodologies used to determine the grant date fair value of HCP's equity awards reflected above, please see footnote (2) to the Summary Compensation Table on page 30 of this proxy statement.

(3) The amounts reported in the All Other Compensation Column of the Summary Compensation Table on page 30 of this proxy statement and the values for special equity awards, as described in footnote 2 above, are excluded from the table above and not reflected in this Total Compensation Column.

(4) Ms. Martin was appointed as HCP's President and Chief Executive Officer effective October 2, 2013.

(5) Mr. Schoen was appointed as HCP's Executive Vice President and Chief Financial Officer effective May 31, 2011.

(6) Mr. Mercer was appointed as HCP's Executive Vice President, General Counsel and Corporate Secretary effective July 1, 2011. Mr. Mercer was not employed by HCP prior to 2011.

2013 Base Salary

During 2013, we maintained 2012 base salary levels for all of our NEOs to emphasize incentive pay.

Name	2012 Base Salary (\$)	2013 Base Salary (\$)	Year-Over-Year Increase (%)
Lauralee E. Martin		800,000	N/A
Paul F. Gallagher	500,000	500,000	0
Timothy M. Schoen	500,000	500,000	0
James W. Mercer	500,000	500,000	0
Thomas M. Klaritch	350,000	350,000	0

2013 Annual Cash Incentive Compensation

In January 2013, in connection with the annual operating plan approved by our Board, the Compensation Committee approved maximum annual cash incentive opportunities under the 2013 executive bonus program for each of the NEOs and established a normalized FFO per share performance target of \$2.70 relative to the annual operating plan, subject to a proportional payout to the extent FFO per share exceeded a threshold level of \$1.88 but did not meet the performance target.

As we previously discussed, our 2014 executive compensation program reflects a transition from our old plan to our new plan. Therefore, in determining the 2013 cash incentive awards to the NEOs, the Compensation Committee first evaluated whether HCP met the FFO per share performance target established under the old plan. For 2013, we exceeded our target FFO resulting in all of our NEOs being eligible to receive an annual cash incentive award at the maximum level established by the Compensation

Committee in January 2013. The Compensation Committee then applied the new STIP performance metrics with a normalized FFO per share target of \$2.98 (compared to the old plan FFO target of \$2.70 per share), which exceeded our base annual operating plan, to better link 2013 compensation to the promotion of long-term stockholder value through more robust performance criteria under the new plan. As such, the CEO's and NEOs' annual cash incentive awards for 2013 were at risk subject to the achievement of both Company and individual performance criteria for the 2013 performance year.

Pursuant to the STIP, one-half of the cash incentive award was based on a formula (as portrayed in the STIP chart above) relating to the Company's achievement of objective Company performance criteria based on the new normalized FFO per share hurdles relative to our annual operating plan. Because we achieved the High Level normalized FFO per share hurdle relative to our annual operating

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COMPENSATION DISCUSSION AND ANALYSIS

plan, this portion of the award resulted in an amount of 200% of salary for our CEO, and 150% of salary for our other NEOs.⁽¹⁾ The remaining one-half of the award was subject to an assessment of the achievement of individual performance metrics, including the assessment of Company operating metrics with respect to

real estate investments, capital expenditure investments and non-stabilized assets management. The Compensation Committee in applying this assessment exercised its negative discretion with respect to the cash incentive awards to result in the reduced payments as set forth below.

Name	Company Objective (normalized FFO per share) Target Achieved?	Potential Maximum Award (\$)	Actual Amount Awarded (\$)	Reduction From Potential Maximum Award
Lauralee E. Martin	Yes at Maximum Level (High)	3,200,000	2,200,000	-31%
Paul F. Gallagher	Yes at Maximum Level (High)	1,500,000	1,350,000	-10%
Timothy M. Schoen	Yes at Maximum Level (High)	1,500,000	1,150,000	-23%
James W. Mercer	Yes at Maximum Level (High)	1,500,000	1,150,000	-23%
Thomas M. Klaritch ⁽¹⁾	Yes at Maximum Level	750,000	525,000	-30%

(1) Mr. Klaritch's annual cash incentive award was determined based on January 2013 target opportunities, subject to the negative discretion of the Compensation Committee, consistent with the annual cash incentive awards granted to the other non-NEO executives.

2013 Performance-Based LTIP Award

Under the old plan, our long-term equity incentive compensation was granted in the form of equity awards that were based on the prior year's performance and vested over multiple years based on continued service. In other words, our prior LTIP looked backward and was primarily retention based. Our new LTIP, on the contrary, is both performance- and retention-based. Additionally, the new LTIP consists of two components – an annual performance award (the Annual LTIP Award) and a three-year, forward-looking performance award (the 3-Year LTIP Award).

Transitioning from our old plan, the Compensation Committee retroactively applied the new plan performance criteria in determining the amount of the LTIP award for the NEOs to promote the alignment of executive and stockholder interests by tying the realized value of

operating plan, this portion of the LTIP award resulted in an award of 325% of base salary for our CEO and 200% of base salary for our other NEOs. The remaining one-half of the LTIP award was subject to a normalized FAD per share threshold relative to our annual operating plan target, which we exceeded. The Compensation Committee then determined the amount of this portion of the LTIP award based on the achievement of individual performance and Company operating metrics, as described above under the heading Individual Performance Metrics. Finally, the Compensation Committee exercised its negative discretion with respect to the individual performance portion of the LTIP award to result in the reduction of the amount of the award as set forth in the tables below.

incentive compensation to the achievement of annual and long-term Company performance goals. Accordingly, the 2013 LTIP award was at risk subject to the achievement of both Company and individual performance criteria for the 2013 performance year. Additionally, the 3-Year LTIP Award (equal to 50% of the aggregate 2013 LTIP award) will continue to be at risk subject to additional performance criteria over the next three years.

In determining the amount of the LTIP award, the Compensation Committee first determined one-half of the grant date fair value based on a formula (as portrayed in the LTIP chart on page 19) relating to the Company's achievement of a normalized FAD per share target of \$2.44, which exceeded our base annual operating plan, approved by the Board. Since we exceeded the High Level normalized FAD per share hurdle relative to our annual

With respect to the distribution of the amount of the LTIP award determined above, 50% was allocated to the Annual LTIP Award and was granted in a combination of 85% restricted stock units and 15% stock options, which vested one-third on the date of grant, subject to a one-year transfer restriction, with the balance vesting ratably over the next two years. The 3-Year LTIP Award comprised the other 50% of the LTIP award and was granted in the form of 100% restricted stock units, which remain at risk through December 31, 2016 based on a combination of our actual TSR for the three-year performance period (70% weighting) measured against a weighted average of the FTSE NAREIT Health Care Index (75%) and MSCI US REIT Index (25%) and our Net Debt to Adjusted Pro Forma EBITDA over the performance period (30% weighting).

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Annual LTIP Award

Name	Company Objective (normalized FAD per share) Target Achieved?	Potential Maximum Award (\$)	Amount Awarded(1) (\$)	Reduction From Potential Maximum Award
Lauralee E. Martin	Yes at Maximum Level (High)	2,600,000	2,500,000	-4%
Paul F. Gallagher	Yes at Maximum Level (High)	1,000,000	962,500	-4%
Timothy M. Schoen	Yes at Maximum Level (High)	1,000,000	687,500	-31%
James W. Mercer	Yes at Maximum Level (High)	1,000,000	687,500	-31%
Thomas M. Klaritch(2)	Yes at Maximum Level	750,000	700,000	-7%

(1) The grant date fair value of the Annual LTIP Award set forth in the table above to Ms. Martin and Messrs. Gallagher, Schoen, Mercer and Klaritch was \$2,500,014, \$962,479, \$687,555, \$687,555 and \$700,036, respectively.

(2) Mr. Klaritch's LTIP award was determined based on January 2013 target opportunities, subject to the negative discretion of the Compensation Committee, consistent with the LTIP awards granted to the other non-NEO executives.

3-Year LTIP Award

Name	Company Objective (normalized FAD per share) Target Achieved?	Potential Maximum Award (\$)	Amount Awarded(1) (\$)	Reduction From Potential Maximum Award
Lauralee E. Martin	Yes at Maximum Level (High)	2,600,000	2,500,000	-4%

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Paul F. Gallagher	Yes at Maximum Level (High)	1,000,000	962,500	-4%
Timothy M. Schoen	Yes at Maximum Level (High)	1,000,000	687,500	-31%
James W. Mercer	Yes at Maximum Level (High)	1,000,000	687,500	-31%
Thomas M. Klaritch(2)	N/A	N/A	N/A	N/A

(1) The 3-Year LTIP Awards remain at risk and whether they are ultimately earned is subject to three-year, forward-looking performance in terms of relative TSR and Net Debt to Adjusted Pro Forma EBITDA hurdles. Additionally, the grant date fair value of the 3-Year LTIP Awards (calculated in compliance with FASB Accounting Standards Codification Topic 718 and Securities Exchange Commission Staff Accounting Bulletin No. 107/110) set forth in the table above to Ms. Martin and Messrs. Gallagher, Schoen and Mercer was \$2,619,100, \$1,008,376, \$720,239 and \$720,239, respectively.

(2) Mr. Klaritch and the other non-NEO executives were not granted 3-Year LTIP Awards.

One-Time Leadership Transition Awards

In connection with our October 2013 leadership transition, the Compensation Committee granted a one-time inducement and make-whole equity award of \$10 million to Ms. Martin with the intent to make up for the lost financial value she incurred and equity compensation she forfeited in leaving her former executive position at Jones Lang LaSalle Incorporated. The Compensation Committee determined that providing this award was necessary in order to retain Ms. Martin, who our Board believes represents the best candidate to provide new leadership for the Company and to execute its strategies to enhance long-term value for stockholders. The Compensation Committee was able to structure the award in the form of equity awards, a portion of which will be subject to performance conditions in order to promote alignment between her compensation and the interests of our stockholders. Sixty percent (60%) of the award was granted in the form of restricted stock vesting in 12 quarterly installments beginning December 31,

2013. However, irrespective of vesting, the restricted shares and any shares payable in respect of such restricted shares are subject to a transfer restriction until December 31, 2020, except in the case of Ms. Martin's (1) death or disability, in which case the transfer restriction will lapse, or (2) termination by the Company without Cause (as defined in her employment agreement) or by Ms. Martin with Good Reason (as defined in her employment agreement), in which case the transfer restriction will lapse on the later of two years after the termination or December 31, 2018. The remaining 40% of the award is subject to the same vesting schedule as the Company's new LTIP awards, with 50% of this portion of the award at risk subject to the achievement of additional performance criteria through December 31, 2016. Accordingly, the ultimate value of Ms. Martin's inducement and make-whole award is tied directly to Company performance.

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COMPENSATION DISCUSSION AND ANALYSIS

Additionally, Messrs. Gallagher, Schoen and Mercer were each granted a one-time retention award in the form of restricted stock units with a fair value of \$1 million based on the average of our closing stock price for the five trading days beginning October 4, 2013 for Messrs. Gallagher and Schoen and October 31, 2013 for Mr. Mercer. The Compensation Committee determined that providing these awards was appropriate to reward and ensure the continuity and cohesiveness of our senior leadership team during the leadership transition. These restricted stock units will vest in two annual installments beginning on the first anniversary

of the grant date, subject to the executive's continued employment through the applicable vesting date. The grant date fair value of these awards, as well as Ms. Martin's inducement and make-whole award, is reflected in the table below. These awards, to the extent granted in 2013, are included pursuant to SEC requirements in the Summary Compensation Table, but excluded for purposes of the above Compensation Based on Performance Year table because they are one-time inducement and retention awards unrelated to 2013 performance.

Name	Transition Award (Grant Date Fair Value) (\$)	Form of Award	Grant Date	Vesting Schedule
Lauralee E. Martin	6,000,010	100% restricted stock	10/2/2013	Vests in 12 equal quarterly installments beginning on December 31, 2013; subject to 7-year holding requirement
	2,000,057	85% RSUs 15% options	2/3/2014	One-third vested on the February 3, 2014 grant date, subject to a one-year transfer restriction; balance vests in 2 annual installments on February 3, 2015 and 2016
	2,095,305	100% performance RSUs	2/3/2014	Cliff vesting on December 31, 2016 subject to objective performance criteria over 3-year performance period (70% relative TSR and 30% Net Debt to Adjusted Pro Forma EBITDA)
Paul F. Gallagher	1,021,014	100% RSUs	10/10/2013	2 equal annual installments beginning on October 3, 2014
Timothy M. Schoen	1,021,014	100% RSUs	10/10/2013	2 equal annual installments beginning on October 3, 2014
James W. Mercer	990,167	100% RSUs	11/06/2013	2 equal annual installments beginning on October 31, 2014

Compensation Governance

Compensation Risk Assessment

The Compensation Committee has concluded that our executive compensation program does not encourage unnecessary or excessive risk taking. Our balanced approach to executive compensation uses both quantitative and qualitative assessments of performance without putting undue emphasis on a single performance measure. Base salaries are fixed in amount and thus do not encourage risk taking.

While our annual cash incentive plan or STIP focuses on the achievement of annual goals, executives' awards under the plan require a threshold level of Company performance. Only once that threshold is met are our executives also eligible for a cash incentive award based on individual performance criteria, which individual performance award may be reduced by our Compensation

Committee based on any factors it deems appropriate. The Compensation Committee believes that the STIP appropriately balances risk and the desire to focus executives on specific annual goals important to our success.

A substantial portion of our executives' compensation is in the form of equity awards that further align executives' interests with those of our stockholders. The Compensation Committee believes that the LTIP awards do not encourage unnecessary or excessive risk taking because the ultimate value of the awards is tied to the Company's performance and stock price, and because the awards are subject to long-term vesting schedules or performance-based vesting and stock ownership guidelines, executives should always have significant value tied to the Company's performance.

Compensation Consultant and Development Process

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Our Compensation Committee is authorized to retain independent counsel, compensation and benefits consultants and other outside experts or advisors. Since November 2008, the committee has retained FPL Associates, L.P. (FPL Associates) as its compensation consultant. For 2013, FPL Associates advised the Compensation Committee with respect to trends in executive compensation, determination of pay programs, assessment of competitive pay levels and mix (e.g., proportion of fixed pay to incentive pay and

proportion of annual cash pay to long-term incentive pay) and setting compensation levels. FPL Associates also reviewed comparable equity REITs for 2013 and assisted the Compensation Committee with obtaining and evaluating current executive compensation data for these companies. FPL Associates also assisted HCP with designing its new compensation plan. The Compensation Committee made its 2013 compensation decisions, including decisions with respect to the NEOs' compensation, after consulting with

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[COMPENSATION DISCUSSION AND ANALYSIS](#)

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FPL Associates. FPL Associates reports directly to the Compensation Committee and works with management only on matters for which the committee is responsible. During 2013, FPL Associates did not perform work for HCP other than pursuant to its engagement

by the Compensation Committee. The Compensation Committee has assessed the independence of FPL Associates and concluded that its engagement of FPL Associates does not raise any conflict of interest with HCP or any of its directors or executive officers.

Adoption of a Company Peer Group and Compensation Assessment

In developing our new compensation program, our Compensation Committee engaged FPL Associates to advise it on market and peer practices, and to assist with designing new compensation plans appropriate for our Company. Based on FPL Associates' recommendations, the Compensation Committee selected the following companies as HCP's compensation peer group in 2013:

AvalonBay Communities, Inc.	Host Hotels & Resorts, Inc.
Boston Properties, Inc.	ProLogis
Equity Residential	Public Storage
General Growth Properties, Inc.	Ventas, Inc.
Health Care REIT, Inc.	Vornado Realty Trust

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The peer companies selected for 2013 consist of equity REITs with large capitalizations that are substantially comparable to HCP. All of the peer companies, like HCP, are members of the S&P 500. The peer companies for 2013 are the same as the peer companies for 2012. HCP was one of the largest U.S. publicly traded REITs as of December 31, 2013 with total assets at the

median levels of the peer group although HCP's enterprise value and market capitalization rank lower than the median levels. In making its compensation comparisons, the Compensation Committee takes into account HCP's enterprise value, market capitalization and total assets compared to the peer companies, as shown below:

As of December 31, 2013

(in billions)

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In 2013, the Compensation Committee reviewed compensation data for executives at the peer companies with positions comparable to those held by the Named Executive Officers. This data consisted of base salary, annual cash incentive award and equity award information, as well as total direct compensation paid by each of the peer companies as reflected in their proxy statements and related public filings. Although the Compensation Committee

reviewed and discussed the compensation data provided by FPL Associates to help inform its decision making process, the committee does not set or benchmark compensation levels at any specific point or percentile against the peer group data. As described above, the peer group data is only one point of information taken into account by the Compensation Committee in making compensation decisions.

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COMPENSATION DISCUSSION AND ANALYSIS

Stock Ownership Guidelines

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In January 2003, our Compensation Committee adopted a stock ownership program pursuant to which each member of HCP's senior leadership team must at all times (subject to a phase-in rule for newly hired or promoted executives) own specified dollar amounts of HCP common stock based on the individual's base salary. The Compensation Committee believes these ownership levels provide adequate focus on our long-term business objectives. The program applies to executives at the level of executive vice president or higher and includes an executive's common stock and unvested stock awards (collectively, HCP eligible securities) in determining the executive's stock ownership for purposes of the program.

In March 2014, the Compensation Committee raised the stock ownership requirement for the Chief Executive Officer from six times her base salary to ten times her base salary. Each of the other executive officers is required to own HCP eligible securities with a value equal to at least three times his or her base salary. All executives were required to achieve their mandatory holdings within five years of the adoption of the program or, as to newly hired or promoted executives, within five years of becoming subject to the program.

The following chart depicts that all of our NEOs currently meet the stock ownership guidelines as of March 7, 2014.

Named Executive Officer	Ownership Requirement	Ownership Requirement Met?
Lauralee E. Martin	10 times Base Salary (10x)	YES
Paul F. Gallagher	3 times Base Salary (3x)	YES
Timothy M. Schoen	3 times Base Salary (3x)	YES
James W. Mercer	3 times Base Salary (3x)	YES
Thomas M. Klaritch	3 times Base Salary (3x)	YES

Clawback Policy

In 2012, HCP implemented a clawback policy that is retroactive to prior years pursuant to which our Board or Compensation Committee shall, in such circumstances as it determines to be appropriate, require reimbursement or cancellation of all or a portion of any short or long-term cash or equity incentive awards or payments to an officer (or former officer, as the case may be) of HCP where (1) the amount of, or number of shares included in, any such payment or award was determined based on the achievement of financial results that were subsequently the subject

of an accounting restatement due to noncompliance with any financial reporting requirement under the securities laws; and (2) a lesser payment or award of cash or shares would have been made to the individual based upon the restated financial results; and (3) the payment or award of cash or shares was received by the individual prior to or during the 12-month period following the first public issuance or filing of the financial results that were subsequently restated.

No Section 280G Tax Gross-Ups

We do not pay tax gross-ups to any of our NEOs in the event they are subject to excise taxes imposed under Section 280G (Section 280G) of the Internal Revenue Code of 1986, as amended (the Code).

Tax Deductibility of Executive Compensation

Our intent is to design and administer executive compensation programs in a manner that will preserve the deductibility of compensation paid to our executive officers, and we intend for a substantial portion of our executive compensation that is performance based to satisfy the requirements for exemption from the \$1,000,000 deduction limitation set forth in Section 162(m) of the Code. Our STIP and LTIP awards are set at a maximum level and are subject to negative discretion by our Compensation Committee in order to comply with the requirements of Section 162(m) of the Code. We do not, however, consider the awards described above under the heading One-Time Leadership Transition Awards to be

performance-based compensation, and we expect that a substantial portion of such awards will not be deductible under Section 162(m). We reserve the right to design programs that recognize a full range of performance criteria important to our compensation objectives and philosophy, even where the compensation paid under such programs may not be deductible. The Compensation Committee will continue to monitor the tax and other consequences of our executive compensation program as part of its primary objective of ensuring that compensation paid to our executive officers is reasonable, performance-based and consistent with the goals of HCP and its stockholders.

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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During the fiscal year ended December 31, 2013, Ms. Martin and Messrs. Henry, Rhein and Sullivan served on the Compensation Committee. Messrs. Henry and Rhein served on the Compensation Committee for the entire year. Ms. Martin served until October 2, 2013, when the Board elected Ms. Martin to serve as HCP's President and Chief Executive Officer. Mr. Sullivan was appointed to the Compensation Committee on October 24, 2013, replacing Ms. Martin. Mr. Cartwright was appointed to the Compensation Committee on January 30, 2014.

Other than Ms. Martin, no one who served on the Compensation Committee at any time during 2013 is or has been an executive officer of HCP or had any relationships requiring disclosure by HCP under the SEC's rules requiring disclosure of certain relationships and related person transactions. None of our executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, the executive officers of which served as a director of HCP or a member of HCP's Compensation Committee during the year ended December 31, 2013.

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COMPENSATION OF NAMED EXECUTIVE OFFICERS

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The Summary Compensation Table quantifies the value of the different forms of compensation earned by or awarded to our Named Executive Officers for 2013. The primary elements of each Named Executive Officer's total compensation reported in the table are base salary, a cash incentive award and long-term equity incentives consisting of nonqualified stock options and performance-based restricted stock units. Named Executive Officers also received the other benefits listed in Column (i) of the Summary Compensation Table, as further described in the footnotes to the table.

The Summary Compensation Table should be read in conjunction with the tables and narrative descriptions that follow. A description of the material terms of each Named Executive Officer's base salary and annual cash incentive award is provided immediately following the Summary Compensation Table. The Grants of Plan-Based Awards During 2013 table, and the accompanying description of the material terms of the stock options and stock unit awards granted in 2013, provides information regarding the long-term equity incentives awarded to Named Executive Officers in 2013. The Outstanding Equity Awards at December 31, 2013 and Option Exercises and Stock Vested During 2013 tables provide further information on the value of the Named Executive Officers' equity awards upon any option exercises or equity vesting that occurred in 2013.

SUMMARY COMPENSATION TABLE 2013

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The following table presents information regarding compensation of our principal executive officer, our principal financial officer, our three other most highly compensated executive officers and our

former principal executive officer (our Named Executive Officers or NEOs), for services rendered during 2013, 2012 and 2011.

Name and Principal Position(s) (a)	Year (b)	Salary (\$) (c)	Bonus \$(1) (d)	Stock Awards \$(2) (e)	Option Awards \$(2) (f)	Non-Equity Incentive Plan Compensation \$(1) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(h)	All Other Compensation \$(3) (i)	Total \$(j)
Lauralee E. Martin(4) President and Chief Executive Officer	2013	196,970		6,000,010(5)		2,200,000		281	8,397,261(5)
Paul F. Gallagher Executive Vice	2013	500,000		2,508,566(5)	262,506	1,350,000		16,800	4,637,872(5)
Timothy M. Schoen(6) Executive Vice	2012	500,000		2,146,292	378,752	1,250,000		10,000	4,285,044
James W. Mercer(7) President and Chief Investment Officer	2011	500,000		3,249,976	499,999	975,000		11,394	5,236,369
Timothy M. Schoen(6) Executive Vice	2013	500,000		2,041,055(5)	179,998	1,150,000		16,800	3,887,853(5)
James W. Mercer(7) Executive Vice	2012	500,000		849,956	150,004	1,050,000		10,000	2,559,960
Thomas M. Klaritch President and Chief Financial Officer	2011	438,021	331,250	1,020,040	130,003	450,000		11,394	2,380,708
James W. Mercer(7) Executive Vice	2013	500,000		2,095,227(5)	195,006	1,150,000		11,884	3,952,117(5)
James W. Mercer(7) Executive Vice	2012	500,000		743,690	131,263	950,000		10,000	2,334,953
Thomas M. Klaritch President, Chief Administrative Officer, General Counsel and Corporate Secretary	2013	350,000		531,322	93,745	525,000		11,884	1,511,951
Thomas M. Klaritch Executive Vice	2012	350,000		467,534	82,496	500,000		10,000	1,410,030
James F. Flaherty III(8) President Medical Office Properties	2011	350,000		520,101	130,003	450,000		11,394	1,461,498
James F. Flaherty III(8) Chairman, Chief Executive	2013	711,553		7,777,459	1,372,511	1,420,548		6,055,323	17,337,394
James F. Flaherty III(8) Officer and President	2012	850,000		7,596,802	1,340,631	2,000,000		11,250	11,798,683
	2011	600,000		10,100,013	1,587,495	1,462,500		12,644	13,762,652

(1) As described in the Compensation Discussion and Analysis section, each of the Named Executive Officers received an annual cash incentive award for 2013 under our Executive Bonus Program in the amount reported in Column (g) of the table above.

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SUMMARY COMPENSATION TABLE

(2) The amounts reported in Columns (e) and (f) of the table above for each fiscal year reflect the fair value on the grant date of the stock awards and option awards, respectively, granted to our Named Executive Officers during the fiscal year. (These grant date fair values include, in each case and as applicable, both annual equity awards granted and any special equity awards, such as any equity awards in connection with a new hire or promotion or the one-time leadership transition awards described in footnote (5) below. Ms. Martin's awards do not include \$158,730 in restricted stock units awarded to her in her capacity as an Independent Director prior to her appointment as President and Chief Executive Officer. For the grant date fair value of each stock award or option award granted by HCP to a Named Executive Officer in 2013, see the Grants of Plan-Based Awards During 2013 table.) These values have been determined under the principles used to calculate the grant date fair value of equity awards for purposes of the Company's consolidated financial statements. For a discussion of the assumptions and methodologies used to value the awards reported in Columns (e) and (f), please see the discussion of stock awards and option awards contained in Note 16 Compensation Plans to HCP's Consolidated Financial Statements, included as part of HCP's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC.

(3) The 2013 amounts reported in Column (i) of the table above consist of the items set forth in the table below. Legal and Related Fees for Messrs. Gallagher, Schoen and Mercer include legal fees reimbursed by HCP in connection with the October 2013 amendments to their employment agreements, and for Mr. Flaherty, in connection with his termination pursuant to his employment agreement. Information regarding payments to Mr. Flaherty in connection with his termination is included under the heading Severance Arrangements James F. Flaherty III below.

Name	401(k) Matching Contribution (\$)	Severance (\$)	Legal and Related Fees (\$)	Life Insurance Premiums (\$)	Total (\$)
Lauralee E. Martin				281	281
Paul F. Gallagher	10,200		4,916	1,684	16,800
Timothy M. Schoen	10,200		4,916	1,684	16,800
James W. Mercer	10,200			1,684	11,884
Thomas M. Klaritch	10,200			1,684	11,884
James F. Flaherty III	10,200	5,700,000	333,430	11,693	6,055,323

(4) Ms. Martin was appointed as HCP's President and Chief Executive Officer effective October 2, 2013.

(5) Includes one-time awards to Ms. Martin with a grant date fair value of \$6,000,010, and to Messrs. Gallagher, Schoen, and Mercer with a grant date fair value of \$1,021,014, \$1,021,014 and \$990,167, respectively, in connection with the October 2013 leadership transition described herein. The Compensation Committee does not regard these inducement and retention awards as compensation for services performed in 2013.

(6) Mr. Schoen was appointed as HCP's Executive Vice President and Chief Financial Officer effective May 31, 2011.

(7) Mr. Mercer was appointed as HCP's Executive Vice President, General Counsel and Corporate Secretary effective July 1, 2011 and as Chief Administrative Officer effective January 30, 2014.

(8) Mr. Flaherty was terminated as HCP's Chairman, Chief Executive Officer and President effective October 2, 2013 and resigned as a member of the Board effective October 28, 2013.

Employment Agreements Base Salary and Cash Incentive Awards

HCP has entered into an employment agreement with each of Ms. Martin and Messrs. Gallagher, Schoen and Mercer. During 2013, HCP did not have an employment agreement with Mr. Klaritch. Mr. Flaherty's employment agreement is discussed below under the heading *Severance Arrangements* James F. Flaherty III.

Lauralee E. Martin

HCP entered into an employment agreement with Ms. Martin on October 2, 2013, which was amended by the Amended 2013 Restricted Stock Award Agreement with Ms. Martin, dated December 20, 2013. The term of Ms. Martin's agreement is three years. The agreement provides that Ms. Martin will receive an annual base salary of \$800,000, subject to annual review. She will also be eligible for an annual cash incentive award with a target amount of \$2,200,000 during the term of the agreement. The actual amount of the annual cash incentive award will be determined by the Compensation Committee taking into account the performance of HCP and Ms. Martin for the particular year. The agreement also provides Ms. Martin with an inducement and make-whole award described under the heading *One-Time Leadership Transition*

Awards in the *Compensation Discussion and Analysis* section above. Ms. Martin will be eligible for annual equity awards during the term in such forms and amounts determined by the Compensation Committee in its discretion. Such awards will be subject to time-based and performance-based vesting as determined by the Compensation Committee. In making its determination with respect to base salary and cash incentive award levels, the committee considers the factors discussed under the heading *2013 Individual Performance Considerations* in the *Compensation Discussion and Analysis* section above. Provisions of the agreement relating to post-termination benefits are discussed under the applicable sections of this proxy statement.

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GRANTS OF PLAN-BASED AWARDS DURING 2013

Paul F. Gallagher, Timothy M. Schoen and James W. Mercer

HCP entered into employment agreements with Messrs. Gallagher and Schoen on January 26, 2012 and with Mr. Mercer on April 5, 2013, all three of which were amended on April 5, 2013 and in October 2013. Each employment agreement provides for the executive to receive an initial base salary of \$500,000, which may subsequently be increased by HCP (but not reduced), and an annual cash incentive award based on Company and individual performance criteria as determined by the Compensation Committee. In making its determination with respect to base salary and cash incentive award levels, the committee considers the factors discussed under the heading "2013 Individual Performance Considerations" in the

Compensation Discussion and Analysis section above. Each executive is also entitled to participate in HCP's benefit plans made available generally to HCP's senior executives and reimbursement of business expenses. In connection with the October 2013 amendments, each executive received a one-time restricted stock unit grant described under the heading "One-Time Leadership Transition Awards" in the Compensation Discussion and Analysis section above. Provisions of the employment agreements relating to outstanding equity incentive awards and post-termination of employment benefits are discussed under the applicable sections of this proxy statement.

GRANTS OF PLAN-BASED AWARDS DURING 2013

The following table presents information regarding the incentive awards granted to the Named Executive Officers during 2013.

Name (a)	Grant Date (b)	Estimated Future Payments Under Non-Equity Incentive Plan Awards			Estimated Future Payments Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#) (i)	All Other Options Awards: Number of Securities Underlying Options (#) (j)	Exercise or Base Price of Option Awards (\$/Sh) (k)	Grant Date Fair Value of Stock and Option Awards \$(1) (l)
		Threshold (\$) (c)	Target (\$) (d)	Maximum (\$) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)				
Lauralee E. Martin(2)			2,200,000								
	10/2/13							143,644			6,000,010
Paul F. Gallagher				1,875,000							
	10/10/13							24,982			1,021,014
	1/28/13								44,568	46.92	262,506
	1/28/13							31,704			1,487,552
Timothy M. Schoen				1,575,000							
	10/10/13							24,982			1,021,014
	1/28/13								30,560	46.92	179,998

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James W. Mercer	1/28/13	21,740			1,020,041
		1,425,000			
	11/6/13	24,174			990,167
Thomas M. Klaritch	1/28/13		33,108	46.92	195,006
	1/28/13	23,552			1,105,060
		750,000			
James F. Flaherty III	1/28/13		15,916	46.92	93,745
	1/28/13	11,324			531,322
James F. Flaherty III	1/28/13		233,024	46.92	1,372,511
	1/28/13	165,760			7,777,459

(1) The amounts reported in Column (1) of the table reflect the fair value of these awards on the grant date as determined under the principles used to calculate the value of equity awards for purposes of our consolidated financial statements. For the assumptions and methodologies used to value the awards reported in Column (1), see footnote (2) to the Summary Compensation Table above. With respect to equity incentive plan awards, this column reflects the grant date fair value of such awards based on the probable outcome (determined as of the grant date) of the performance-based conditions applicable to the awards.

(2) The awards reported in the table above do not include 3,000 restricted stock units award granted to Ms. Martin on April 25, 2013 in connection with her service as an Independent Director prior to her election as President and Chief Executive Officer, with a grant date fair value of \$158,730.

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DESCRIPTION OF PLAN-BASED AWARDS

2006 Plan

All 2013 awards reported in the above table were granted under, and are subject to, the terms of our stockholder-approved 2006 Plan. The 2006 Plan is administered by the Compensation Committee, which has the authority to interpret the plan provisions and make

all required determinations under the plan. The 2006 Plan includes provisions for incentive award features that are designed to qualify as deductible performance-based compensation under Section 162(m) of the Code.

Non-Equity Incentive Plan Awards

Our NEOs' 2013 non-equity incentive awards reported in the above table were granted under, and are subject to, our Executive Bonus Program (the "Bonus Program"), which was adopted under our 2006 Plan. In January 2013, the Compensation Committee selected the executives who were eligible to participate in the 2013 Bonus Program and established a maximum cash incentive amount for each executive. In determining the maximum amount for each executive, the Compensation Committee took into account the practices of companies in our compensation peer group (identified above), the executive's position with HCP and total compensation package, along with a desire that a substantial portion of each executive's annual compensation opportunity should be at risk based on individual and HCP performance.

If the actual FFO per share achieved for the performance year equals or exceeds the target, the Bonus Program provides for payment of up to 100% of the executive's maximum cash incentive amount. If the FFO per share is less than the threshold, no cash incentive awards would be paid under the Bonus Program. An executive's maximum bonus will be reduced proportionally for FFO per share results between the threshold and target. Normalized FFO per share and its significance as a performance metric are discussed under the heading "2013 Transition and Overview of Our New

2014 Compensation Program" Company Performance Metrics in the Compensation Analysis and Discussion section above.

In addition, the Bonus Program provides that the Compensation Committee has sole discretion to reduce the amount of the cash incentive awarded to any participant in the program. Thus, the Bonus Program is designed to establish each participating executive's maximum annual bonus in a manner that complies with the performance-based compensation requirements of Section 162(m) of the Code, while still preserving the committee's flexibility to determine the actual bonus for each executive up to the maximum bonus amount based on the executive's individual performance and such other factors as the committee deems appropriate.

The Compensation Committee determined in January 2014 that HCP's FFO per share for 2013 exceeded the threshold and target FFO per share established for the Bonus Program. A description of the committee's final discretionary determination of the cash incentive amount granted to each Named Executive Officer for 2013 performance is described under the heading "2013 NEO Compensation" 2013 Annual Cash Incentive Compensation in the Compensation Discussion and Analysis section above.

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DESCRIPTION OF PLAN-BASED AWARDS

Equity Incentive Plan Awards

Options

Each option reported in Column (j) of the table above was granted in 2013 in connection with the 2012 performance year with a per share exercise price equal to the fair market value of a share of our common stock on the grant date. For these purposes, and in accordance with our 2006 Plan and our option grant practices, the fair market value is equal to the closing price of a share of our common stock on the applicable grant date.

Each option granted to our Named Executive Officers in 2013 is subject to a four-year vesting schedule, with 25% of the option award vesting on each of the first four anniversaries of the grant date.

If a Named Executive Officer's employment is terminated as a result of the officer's death, disability or qualified retirement, his option will immediately vest and become exercisable. Subject to the Named Executive Officer's employment agreement, if a Named Executive Officer's employment terminates for any other reason, the unvested portion of his option will immediately terminate. Once vested, each option will generally remain exercisable until its normal expiration date. Each of the options granted to our Named

Executive Officers in 2013 has a term of ten years. However, vested options may terminate earlier in connection with a change in control transaction or a termination of the Named Executive Officer's employment. Subject to any accelerated vesting that may apply in the circumstances, the unvested portion of the option will immediately terminate upon a termination of the Named Executive Officer's employment. The Named Executive Officer will typically have three months to exercise the vested portion of the option following a voluntary termination of the officer's employment (other than upon retirement) or a termination by us for cause. This period is extended to eight months if the termination is by us without cause and to three years if the termination was a result of the Named Executive Officer's death, disability or qualified retirement (with a possible extension of up to one year if the Named Executive Officer dies or becomes disabled during the three-year period following retirement).

As in prior years, the options granted to Named Executive Officers during 2013 do not include any dividend rights.

Performance-Based Restricted Stock Units

Column (g) of the table above reports awards of performance-based restricted stock units (performance units) granted to our Named Executive Officers in 2013 in connection with the 2012 performance year. Each performance unit represents a contractual right to receive one share of our common stock if the applicable performance-based and time-based vesting requirements are satisfied.

In general, if the Named Executive Officer's employment terminates during the performance period for any reason other than death, disability or a qualified retirement, the performance units will immediately terminate. If the Named Executive Officer's employment terminates due to death or disability during the performance period, the performance units will become fully vested regardless of HCP's FFO performance. If the Named Executive Officer's employment

The performance units granted in 2013 became eligible to vest based on the FFO per share targets for the 2012 performance year set by the Compensation Committee in January 2012 as part of the annual operating plan delivered to our Board, as described above. If the FFO per share target is not met, a portion of the performance units may become eligible to vest as determined on a sliding scale based on FFO performance relative to the goal. None of the performance units will vest if a threshold FFO per share established by the Compensation Committee for the performance period is not met. Any performance units that do not become eligible to vest based on FFO performance during the performance period will be cancelled and automatically terminate as of the end of the performance period.

terminates due to retirement during the performance period, the number of performance units eligible to vest based on FFO performance will be determined at the end of the performance period and will become fully vested as of that time. If there is a change in control of HCP during the performance period, the number of performance units eligible to vest based on FFO performance will be determined at the end of the performance period and, unless the award is assumed by the successor entity, will become fully vested as of that time.

Performance units that became eligible to vest based on 2012 FFO performance will generally vest at a rate of 25% per year during the four-year period after the grant date. Subject to the Named

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DESCRIPTION OF PLAN-BASED AWARDS

Executive Officer's employment agreement, if a Named Executive Officer's employment terminates for any reason other than death, disability or a qualified retirement after the performance period, any performance units that have not previously vested will terminate. If the Named Executive Officer's employment terminates due to retirement, death or disability after the performance period, any performance units that became eligible to vest based on FFO performance will become fully vested as of the termination date. If there is a change in control of HCP after the performance period and the award is not assumed by the successor entity, any performance units that became eligible to vest based on FFO performance will become fully vested as of the date of the change in control.

Vested performance units are payable in an equal number of shares of our common stock. Payment will generally be made as the units become vested although the Named Executive Officer may elect to have the units paid on a deferred basis. The Named Executive Officer does not have the right to vote or dispose of the performance units, but does have the right to receive cash payments as dividend equivalents based on the amount of dividends paid by HCP during the term of the award on a number of shares equal to the number of outstanding and unpaid performance units then subject to the award. Such payments are made concurrently with the related dividends paid to our stockholders. However, dividend equivalents that would otherwise be paid during the applicable performance period under these awards will instead accrue and be paid at the end of the performance period only if the related performance goals for the award are satisfied.

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OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2013

The following table presents information regarding the outstanding equity awards held by each of our Named Executive Officers as of December 31, 2013, including the vesting dates for the portions of these awards that had not vested as of that date.

Name (a)	Award Grant Date (b)	Number of Securities Underlying Unexercised Options (#) Exercisable (c)	Number of Securities Underlying Unexercised Options (#) Unexercisable (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(1) (j)
Lauralee E. Martin(2)	10/2/13					131,673(3)	4,782,363		
Paul F. Gallagher	1/30/09		57,351(4)	23.34	1/30/19	10,631(4)	386,118		
	1/29/10		44,100(5)	28.35	1/29/20	18,766(5)	681,581		
	1/27/11		41,876(6)	36.96	1/27/21	27,056(6)	982,674		
	5/30/11					16,792(7)	609,885		
	1/30/12	14,935	44,085(8)	41.64	1/30/22	38,658(8)	1,404,059		
	1/28/13		44,568(9)	46.92	1/28/23	31,740(9)	1,152,797		
Timothy M. Schoen	10/10/13					24,982(10)	907,346		
	1/30/09		10,930(4)	23.34	1/30/19	2,437(4)	88,512		
	1/29/10		10,444(5)	28.35	1/29/20	4,444(5)	161,406		
	1/27/11		10,888(6)	36.96	1/27/21	7,036(6)	255,548		
	5/30/11					6,716(7)	243,925		
	1/30/12		17,745(8)	41.64	1/30/22	15,309(8)	556,023		
	1/28/13		30,560(9)	46.92	1/28/23	21,740(9)	789,597		
	10/10/13					24,982(10)	907,346		
James W. Mercer	7/1/11					6,751	245,196		
	1/30/12	5,176	15,528(8)	41.64	1/30/22	13,395(8)	486,506		
	1/28/13		33,108(9)	46.92	1/28/23	23,552(9)	855,409		
	11/6/13					24,174(11)	878,000		
Thomas M. Klaritch	1/25/08	47,925		31.95	1/25/18				
	1/30/09	57,448	14,362(4)	23.34	1/30/19	3,345(4)	121,490		
	1/29/10	18,279	12,186(5)	28.35	1/29/20	5,186(5)	188,356		
	1/27/11	10,888	10,888(6)	36.96	1/27/21	7,036(6)	255,548		
	1/30/12	3,253	9,759(8)	41.64	1/30/22	8,421(8)	305,851		
	1/28/13		15,916(9)	46.92	1/28/23	11,324(9)	411,288		
James F. Flaherty III	1/30/09	179,949		23.34	1/30/19				
	1/29/10	136,944		28.35	1/29/20				
	1/27/11	265,912		36.96	1/27/21				
	1/30/12	211,456		41.64	1/30/22				
	1/28/13	233,024		46.92	1/28/23	165,760(12)	6,020,403		

(1) The dollar amounts shown in Column (h) are determined by multiplying the number of shares or units reported in Column (g) by \$36.32 (the closing price of our common stock on the last trading day of fiscal year 2013).

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OPTION EXERCISES AND STOCK VESTED DURING 2013

(2) Outstanding equity awards for Ms. Martin do not include outstanding restricted stock unit awards granted in connection with her service as an Independent Director prior to her election as President and Chief Executive Officer, as follows (the market value of unvested units is calculated in the manner described in footnote (1) immediately above):

Award Grant Date	Number of Units That Have Not Vested (#)	Market Value of Units That Have Not Vested (\$)
4/22/10	750	27,240
4/28/11	1,500	54,480
4/26/12	2,250	81,720
4/25/13	3,000	108,960

(3) The unvested portions of these awards are scheduled to vest in eleven quarterly installments beginning on March 31, 2014.

(4) The unvested portions of these awards were scheduled to vest on January 30, 2014.

(5) The unvested portions of these awards were scheduled to vest in two installments on January 29, 2014 and January 29, 2015.

(6) The unvested portions of these awards were scheduled to vest in two installments on January 27, 2014 and January 27, 2015.

(7) The unvested portions of these awards are scheduled to vest in two installments on May 30, 2014 and May 30, 2015.

(8) The unvested portions of these awards were scheduled to vest in three installments on January 30, 2014, January 30, 2015 and January 30, 2016.

(9) The unvested portions of these awards were scheduled to vest in four installments on January 28, 2014, January 28, 2015, January 28, 2016 and January 28, 2017.

(10) The unvested portions of these awards are scheduled to vest in two installments on October 3, 2014 and October 3, 2015.

(11) The unvested portions of this award is scheduled to vest in two installments on October 31, 2014 and October 31, 2015.

(12) This award vested on February 3, 2014 following the certified satisfaction of applicable performance criteria.

OPTION EXERCISES AND STOCK VESTED DURING 2013

The following table presents information regarding the exercise of stock options by Named Executive Officers during 2013 and the vesting of other stock awards during 2013 that were previously granted to the Named Executive Officers.

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#) (b)	\$(1) (c)	(#)(2) (d)	\$(1)(2) (e)
Lauralee E. Martin			14,971	593,281
Paul F. Gallagher	204,491	3,391,268	8,396	402,084
Timothy M. Schoen	33,989	567,041	3,358	160,815
James W. Mercer			6,751	303,457
Thomas M. Klaritch	68,550	1,103,963		
James F. Flaherty III	534,857	10,960,893	436,743	18,477,853

(1) The dollar amounts shown in Column (c) above for option awards are determined by multiplying (i) the number of shares of HCP common stock to which the exercise of the option related, by (ii) the difference between the per share closing price of HCP common stock on the date of exercise and the exercise price of the options. Except as otherwise provided in footnote (2) below, the dollar amounts shown in Column (e) above for stock awards are determined by multiplying the number of shares or units, as applicable, that vested by the per share closing price of HCP common stock on the vesting date. In each case, the values reported in the table above do not represent the actual cash value realized by the named individual upon the exercise of stock options or the vesting of shares to the extent such individual did not immediately sell the shares upon exercise or vesting, as applicable.

(2) For Ms. Martin, the amounts reported in Columns (d) and (e) above include 3,000 restricted stock units that vested in connection with her service as an Independent Director prior to her election as President and Chief Executive Officer, with a value realized upon vesting of \$158,483. For Mr. Flaherty, the amounts reported include restricted stock units that were awarded as a supplemental retirement benefit to Mr. Flaherty in 2006, which vested on May 13, 2013 and on October 2, 2013 as a result of the pro rata vesting provisions of the award and which were partially accelerated during 2013 in connection with his termination pursuant to the supplemental grant, as discussed under *Potential Payments Upon a Termination or Change in Control Severance Arrangements James F. Flaherty III Retirement Grant*. In accordance with applicable SEC rules, these units are also reported as 2013 registrant contributions in the Non-Qualified Deferred Compensation During 2013 table below because, while the units are considered to have vested, they were not yet payable as of December 31, 2013.

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NON-QUALIFIED DEFERRED COMPENSATION DURING 2013

The following table presents information regarding deferred compensation contributions to Mr. Flaherty's deferred compensation account balance, as well as earnings on those contributions, during 2013. No other Named Executive Officer deferred compensation during 2013 or had a deferred compensation balance at the end of 2013.

	Executive	Registrant	Aggregate	Aggregate	Aggregate
	Contributions in	Contributions in	Earnings in Last	Withdrawals/	Balance at Last
	Last Fiscal Year	Last Fiscal Year	Fiscal Year	Distributions	Fiscal Year End
Name	(a)	(b)	(c)	(d)	(e)
(a)	(b)	(c)	(d)	(e)	(f)
James F. Flaherty III		2,512,630	(825,042)		4,150,286

(1) The amount reported as registrant contributions in 2013 under Column (c) includes the portion of the restricted stock units that were granted to Mr. Flaherty as a supplemental retirement benefit on August 14, 2006, which vested on May 13, 2013 and October 2, 2013 as a result of the pro rata vesting provisions of the award (based on the closing price of HCP common stock on May 13, 2013 and October 2, 2013, respectively) and which were accelerated in connection with Mr. Flaherty's termination pursuant to the supplemental grant (based on the closing price of HCP common stock on October 2, 2013). These units are payable in shares of HCP common stock. In accordance with applicable SEC rules, these units are reflected in this table because, while the units are considered to have vested, they had not yet become payable as of December 31, 2013. Mr. Flaherty's supplemental retirement grant is discussed below under Potential Payments Upon a Termination or Change in Control Severance Arrangements James F. Flaherty III Retirement Grant.

(2) The amount reported as aggregate earnings in 2013 under Column (d) represents the decrease in value as of December 31, 2013 of that portion of the restricted stock unit award that became vested in 2013, plus the value of the dividend equivalents that accrued on the deferred compensation balance in connection with the regular quarterly dividend paid to HCP's stockholders on November 19, 2013 in accordance with the terms and conditions of the supplemental grant (based on the closing price of HCP common stock on December 31, 2013).

(3) Does not include dividend equivalents of 1,664 units that accrued on the deferred compensation balance in connection with the regular quarterly dividend paid to HCP's stockholders on February 25, 2014, in accordance with the terms and conditions of the supplemental grant.

POTENTIAL PAYMENTS UPON A TERMINATION OR CHANGE IN CONTROL

The following section describes the benefits that may become payable to the current Named Executive Officers in connection with a termination of their employment with HCP and/or a change in control of HCP. In addition to such benefits, and as described under the heading Description of Plan-Based Awards Equity Incentive Plan Awards, outstanding equity-based awards held by our Named

Executive Officers may also be subject to accelerated vesting in connection with a change in control of HCP, or in connection with the award recipient's death, disability or qualified retirement, under the terms of our 2006 Plan and the applicable awards. Mr. Flaherty's severance arrangements are described below under the heading Severance Arrangements James F. Flaherty III.

Employment Agreements

Lauralee E. Martin

Severance Benefits Termination of Employment

The employment agreement with Ms. Martin, which was entered into in October 2013 and amended in December 2013 by the Make-Whole Award Agreement (described under the heading Employment Agreements Base Salary and Cash Incentive Awards), provides for certain benefits to be paid to her in connection with a termination of her employment with HCP during the employment term either by HCP pursuant to a termination other than for cause or by the executive with good reason (as those terms are defined in the employment agreement). If HCP terminates Ms. Martin's employment without cause, if Ms. Martin's employment is terminated by reason of her death or disability, or if Ms. Martin terminates her employment for good reason during the term, she will be entitled to: (1) salary continuation in an amount equal to the greater of (a) two (2) times the sum of her annual base salary and her target cash incentive award and (b) her base salary and target cash incentive award for the remainder of the term, payable in monthly installments;

(2) full acceleration of vesting of any then-outstanding equity awards (with any performance-based awards to vest in full based upon the target number of shares); (3) two years to exercise outstanding stock options; and (4) reimbursement of COBRA premiums for 24 months. Pursuant to the Make-Whole Award Agreement, if Ms. Martin's employment is terminated by reason of her qualified retirement, any portion of the unvested restricted stock award will become vested. Ms. Martin's right to receive the severance benefits described above is contingent on Ms. Martin providing a general release of claims in favor of HCP and complying with certain non-solicitation and other restrictive covenants set forth in the employment agreement. In the event Ms. Martin becomes entitled to severance benefits under the Amended and Restated Change in Control Severance Plan (the CIC Plan) described below, she would be entitled to receive the benefits provided under the CIC Plan and not the benefits provided under her employment agreement.

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POTENTIAL PAYMENTS UPON A TERMINATION OR CHANGE IN CONTROL

Restrictive Covenants

Pursuant to Ms. Martin's employment agreement, she has agreed not to disclose any confidential information of HCP at any time during or after her employment with HCP. In addition, Ms. Martin has agreed to a non-compete provision during the period of her employment with HCP, and to the extent permitted by applicable law, during the period she is to receive any severance amounts.

She has further agreed that, during the period of her employment with HCP and for a period of one year following a termination of her employment with HCP, she will not solicit HCP's employees or customers or materially interfere with any of HCP's business relationships.

Paul F. Gallagher, Timothy M. Schoen and James W. Mercer

The employment agreements with Messrs. Gallagher, Schoen and Mercer (described under the heading "Employment Agreements Base Salary and Cash Incentive Awards") provide for certain benefits to be paid to the executives in connection with a termination of their employment with HCP during the employment term either by HCP pursuant to a termination other than for cause or by the executive with good reason (as those terms are defined in the employment agreements). If the executive's employment with HCP is terminated under such circumstances, the executive will be entitled to severance benefits that include (1) a lump sum cash payment equal to two times the sum of (a) his base salary at the annualized rate in effect on his termination date and (b) the greater of his annual cash incentive award for the last fiscal year of HCP for which the Compensation Committee has determined cash incentive awards for HCP's executives generally prior to the termination date (the last cash incentive year) or the average of his annual cash incentive awards for the last three fiscal years of HCP ending with the last cash incentive year, and (2) reimbursement for the executive's COBRA premiums for continued health coverage for up to 24 months following his termination date. In addition, under the employment agreements, any portion of the executive's then-

outstanding equity awards granted by HCP that are scheduled to vest within two years following the termination date will immediately vest (or, in the case of awards subject to performance-based vesting requirements, the award will be held open until the end of the relevant performance period and, as to any portion of the award eligible to vest based on the level of performance achieved, the executive will be credited with two additional years of service after the termination date for purposes of applying any time-based vesting requirements applicable to the award). The one-time award of \$1,000,000 of restricted stock units granted in connection with the October 2013 amendment of the employment agreements will vest in full if the executive is terminated by HCP without cause or he terminates with good reason. The executive's right to receive the severance benefits described above is contingent on the executive providing a general release of claims in favor of HCP and complying with certain non-solicitation and other restrictive covenants set forth in the executive's employment agreement. In the event Messrs. Gallagher, Schoen or Mercer becomes entitled to severance benefits under the CIC Plan described below, the executive would be entitled to receive the benefits provided under the CIC Plan and not the benefits provided under his employment agreement.

Severance Arrangements James F. Flaherty III

Employment Agreement

HCP terminated Mr. Flaherty's employment as its Chairman, Chief Executive Officer and President on October 2, 2013. Mr. Flaherty did not receive any benefits or payments in connection with the termination other than as required under his employment agreement, which was entered into in 2005 and amended in 2008. The initial term of Mr. Flaherty's agreement was for three years, and the agreement provided for automatic one-year extensions each year unless either party provided notice that the agreement would not be

and his family members and \$6,860 in continued payment by HCP of the premiums for his term life insurance for two years after the termination; and (4) accelerated vesting of 841,465 stock options and accelerated vesting and payment of 353,339 time-based restricted stock units. Following certification of the applicable performance criteria in February 2014, an additional 165,760 performance-based restricted stock units were vested and paid in accordance with his employment agreement as well as payment of

extended.

Pursuant to his employment agreement, upon his Termination Other Than For Cause (as such term is defined in his employment agreement) by HCP, Mr. Flaherty was entitled to and was paid severance that included (1) a lump sum cash payment equal to two times the sum of (a) \$850,000, representing his 2013 base salary plus (b) \$2,000,000, representing his 2012 cash incentive award (which was the greater of his target cash incentive award for 2013 and the highest annual cash incentive award he received in any of the preceding three years); (2) an amount equal to \$1,420,548, representing a pro-rata portion of his target cash incentive award for 2013; (3) continued medical, dental and vision benefits for him

\$348,096 in respect of dividend equivalents accrued in respect of the performance-based restricted stock units. In addition, Mr. Flaherty's stock options will remain exercisable until the later of three years after the termination or the date specified in the applicable plan or award agreement (but in no event later than the expiration date of the option). Additionally, pursuant to his employment agreement, the Company paid legal fees and related expenses incurred by Mr. Flaherty in connection with his termination of employment totaling \$333,430. Mr. Flaherty was not entitled to, and did not receive, any additional payments or benefits in connection with his termination.

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POTENTIAL PAYMENTS UPON A TERMINATION OR CHANGE IN CONTROL

Pursuant to Mr. Flaherty's employment agreement, he has agreed not to disclose any confidential information of HCP at any time after his employment with HCP. Additionally, to the extent permitted by applicable law, Mr. Flaherty has agreed that, for a period of one

year following his termination, he will not solicit HCP's employees or customers or materially interfere with any of HCP's business relationships.

Retention and Supplemental Retirement Grant

In 2006, the Compensation Committee provided Mr. Flaherty with a supplemental retirement benefit program in the form of a restricted stock unit grant (the "Retirement Grant"), which was also designed to serve as a long-term retention incentive. The first installment of the Retirement Grant vested in May 2012 when Mr. Flaherty attained age 55. Subject to Mr. Flaherty's continued employment with HCP, the Retirement Grant was scheduled to vest over the remaining ten-year period. Because the Retirement Grant was intended to provide a retirement benefit that accrued for each year of Mr. Flaherty's service with HCP commencing with his

hiring in 2002 and continuing through his attainment of age 65, the percentage of the Retirement Grant scheduled to vest each year varied because of the effect of the benefit accrual component of the vesting schedule. Upon Mr. Flaherty's termination in October 2013, the Retirement Grant was subject to partial acceleration of vesting of 39,565 units according to a schedule set forth in the award agreement for the grant. The vested portion of the Retirement Grant and any dividend equivalents that may accrue thereon are not payable until April 2014 pursuant to Section 409A of the Code.

Change in Control Severance Plan

Our CIC Plan was amended on March 13, 2014 to eliminate the gross-up for any excise taxes imposed under Section 280G of the Code on the benefits payable to participants in connection with a change in control. All of our current officers are participants in the CIC Plan and therefore, none is entitled to such tax gross-ups.

Other features of the CIC Plan, as described more fully below, include:

Double trigger meaning that officers are entitled to severance payments under the CIC Plan only if their employment is terminated within two years of a change in control

Severance multiplier of two for all officers (other than Ms. Martin, whose severance multiplier is three)

Payments (or benefits) payable to a participant under the CIC Plan will either be reduced to avoid Section 280G excise taxes or be paid in full (with the participant paying any such excise taxes), whichever option places the participant in the best after-tax position

participant's base salary or the participant's average annual cash incentive award for the preceding three years (based only on complete fiscal years in which the participant was employed); (2) a lump sum cash payment equal to the expected cost of premiums for medical coverage pursuant to COBRA for the number of years represented by the severance multiplier; (3) if not then fully-vested, full vesting in the participant's benefits under HCP's non-qualified retirement plans plus a lump sum cash payment equal to the participant's then unvested benefits under HCP's 401(k) plan; and (4) a lump sum cash payment equal to the participant's pro-rated annual cash incentive award amount for the year of termination (with the annual cash incentive award amount being determined as described in clause (1)(b) above). (For these purposes, the terms "cause," "good reason" and "change in control" are each defined in the CIC Plan.) In addition, the participant's equity-based awards (other than performance-based awards), to the extent then outstanding and not otherwise vested, will generally become fully vested, and the participant's outstanding stock options will generally remain exercisable for one year after the date of termination of the participant's employment (but in no event later than the expiration date of the option). The participant's equity-based awards that are then outstanding and subject to performance-based vesting requirements will continue in accordance with their terms with respect to the performance requirements, although such awards will become fully vested with respect to any time-based vesting requirements.

Our CIC Plan was adopted in 2007 and amended, as described above, on March 13, 2014. In the event a participant would be entitled to severance under the CIC Plan and an employment agreement, the CIC Plan provides that such participant will only receive severance under the CIC Plan. Under the CIC Plan, if a change in control of HCP occurs during the term of the CIC Plan and a participant's employment with HCP is terminated by HCP without cause or by the participant for good reason within the two year period following the change in control, the participant will generally be entitled to receive the following benefits: (1) a cash lump sum payment equal to the participant's severance multiplier times the sum of (a) the participant's base salary plus (b) the greater of one-third of the

A participant's right to receive benefits under the CIC Plan is subject to the execution of a release of claims in favor of HCP upon the termination of the participant's employment. Participants are also subject to confidentiality, non-solicitation and non-competition restrictive covenants under the CIC Plan.

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POTENTIAL PAYMENTS UPON A TERMINATION OR CHANGE IN CONTROL

Estimated Severance and Change in Control Benefits

Severance Benefits

The following chart presents HCP's estimate of the amount of the benefits to which the currently employed Named Executive Officers would have been entitled had their employment terminated under the circumstances described above pursuant to the terms of their respective employment agreements (other than in connection with

a change in control of HCP) on December 31, 2013. The chart assumes that the executive would not be entitled to receive the benefits provided under the CIC Plan in connection with such a termination of the executive's employment.

Name	Termination by HCP Without Cause or by Executive for Good Reason				Termination due to Executive's Death or Disability			
	Cash Severance (\$)	Continuation of Health/Life Benefits (\$)	Equity Acceleration(1) (\$)	Total (\$)	Cash Severance (\$)	Continuation of Health Benefits (\$)	Equity Acceleration(1) (\$)	Total (\$)
Lauralee E. Martin	8,250,000	33,934	4,782,363	13,066,297	8,250,000	33,394	4,782,363	13,065,757
Paul F. Gallagher	3,500,000	52,057	5,417,975	8,970,032			7,111,393	7,111,393
Timothy M. Schoen	3,100,000	52,057	2,647,327	5,799,384			2,647,327	2,647,327
James W. Mercer	2,900,000	52,057	1,875,238	4,827,295			2,465,111	2,465,111
Thomas M. Klaritch							1,566,073	1,566,073

(1) These columns report the intrinsic value of the unvested portions of the executive's awards that would accelerate in the circumstances. For options, this value is calculated by multiplying the amount (if any) by which \$36.32 (the closing price of our common stock on the last trading day of the 2013 fiscal year) exceeds the exercise price of the option by the number of shares subject to the accelerated portion of the option. For restricted stock and restricted stock unit awards, this value is calculated by multiplying \$36.32 by the number of shares or units subject to the accelerated portion of the award. As to the restricted stock units awarded to Messrs. Gallagher, Schoen and Mercer during 2013 reported in the Grants of Plan-Based Awards table above that are subject to both time-based and performance-based vesting requirements, the time-based vesting requirements would be waived but the awards would continue to be subject to the performance-based vesting requirements if the executive's employment had terminated under the circumstances described above. We have included the value related to accelerated vesting of these awards in the table above as the performance-based vesting requirements for the period ended December 31, 2013 were satisfied.

Change in Control Severance Benefits

The following chart presents HCP's estimate of the amount of the benefits to which each of the currently employed Named Executive Officers would have been entitled had a change in control of HCP occurred on December 31, 2013 (and, as applicable, the executive's employment with HCP had terminated under the circumstances described above on such date).

Name	Continuation of Health/Life Benefits(1)				Section 280G Gross-Up(3) (\$)	Total (\$)
	Cash Severance (\$)	Continuation of Health/Life Benefits(1) (\$)	Equity Acceleration(2) (\$)			
Lauralee E. Martin	9,000,000	45,408	4,782,363			13,827,771
Paul F. Gallagher	2,916,666	52,057	7,111,393			10,080,116
Timothy M. Schoen	2,200,000	52,057	2,647,327			4,899,384
James W. Mercer	2,900,000	52,057	2,465,111			5,417,168
Thomas M. Klaritch	1,533,334	52,057	1,566,073			