

Western Union CO  
Form DEF 14A  
April 17, 2013

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  Filed by a Party other than the Registrant   
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

THE WESTERN UNION COMPANY

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(1) Amount Previously Paid:

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THE WESTERN UNION COMPANY

12500 East Belford Avenue  
Englewood, Colorado 80112  
April 17, 2013

Dear Stockholder:

The Board of Directors of The Western Union Company (“Western Union”) has a history of strong corporate governance and is committed to fulfilling its fiduciary obligations to Western Union’s stockholders. The Board continually monitors developments regarding corporate governance and executive compensation, with an eye toward ensuring that Western Union’s practices foster long-term stockholder value creation. We welcome stockholder input on these issues. As described below, we have taken significant steps to enhance Western Union’s corporate governance in the areas of stockholder engagement, board effectiveness, and executive compensation.

**STOCKHOLDER ENGAGEMENT**

**Proxy Access** - We have amended Western Union’s By-Laws to allow for stockholder “proxy access.” The By-Laws now permit qualifying stockholders or groups of qualifying stockholders that have each beneficially owned at least 3% of Western Union’s common stock for three years to nominate up to an aggregate of 20% of the members of the Board and have information and supporting statements regarding those nominees included in Western Union’s proxy statement.

**Allowing Stockholders to Call Special Meetings** - We are recommending that stockholders vote to approve amendments to Western Union’s Amended and Restated Certificate of Incorporation to allow Western Union stockholders to call a special meeting of stockholders. As more fully described in the enclosed proxy statement, the proposed modifications are structured so that a qualifying stockholder or group of stockholders that has held at least a 20% “net long position” in Western Union’s common stock for at least one year may call a special meeting.

**Annual Election of the Board of Directors** - At Western Union’s 2012 Annual Meeting of Stockholders, stockholders approved the Board’s proposal to declassify the Board. As a result, beginning with the 2013 Annual Meeting, directors standing for election at an annual meeting will be elected to a one-year, rather than three-year, term of office.

**BOARD EFFECTIVENESS AND CAPABILITIES**

**Expanded Board Capabilities** - We added two new independent directors to the Board in 2012, Richard A. Goodman and Solomon D. Trujillo, each of whom we believe has further expanded the skills and diversity of the Board. As a former executive and Chief Financial Officer of PepsiCo, Mr. Goodman brings to the Board financial expertise and global experience and perspective with regard to consumer products, marketing, brand management and complex capital structures. Mr. Trujillo brings to the Board experience as a chief executive officer of global companies in the telecommunications, media and cable industries. Also notable about Mr. Trujillo is that, in recognition of a lifetime of advocacy and commitment to workplace diversity, he received the Ronald H. Brown Corporate Bridge Builder Award from President Clinton and has been ranked by Hispanic Business magazine as one of the 100 Most Influential Hispanics in the United States.

The other members of the Board also represent diverse experience, backgrounds, cultural viewpoints and skill sets, including with respect to global business leadership, emerging markets, financial services, regulated industries, consumer goods and services, marketing, gender and ethnicity. Further information regarding the skills and background of the members of the Board can be found on pages 5-8 of the enclosed proxy statement, and a matrix illustrating the skills and qualifications of the members of the Board can be found on page 9.

**EXECUTIVE COMPENSATION**

The Company’s executive compensation practices include the following, each of which we believe reinforces our executive compensation philosophy and objectives and ultimately serves stockholder interests:

Pay-For-Performance - Our 2012 executive compensation program was designed so that performance-based pay elements comprised at least 88% of the targeted annual compensation for the Chief Executive Officer. To further align the interests of our executives with the Company's stockholders, the 2012 performance-based restricted stock unit awards include payout modifiers limiting the percentage of the awards that may vest based on the Company's total shareholder return performance relative to the S&P 500 Index and the Company's stock price performance.

Emphasis on Future Pay Opportunity Versus Current Pay - In 2012, all of the long-term incentive awards delivered to our executives were in the form of equity-based compensation.

Executive Severance Policy - Upon a change-in-control, executive severance benefits are generally payable only upon a "double trigger," and tax gross-up payments are prohibited for individuals promoted or hired as executives after April 2009.

"Clawback" Policy - The Company may recover incentive compensation in the event of fraud or misconduct by the executive.

Stock Ownership Requirements - We require all of our directors and executives to meet stock ownership requirements.

Prohibition on Pledging and Hedging of the Company's Securities - We prohibit our executives and directors from pledging the Company's securities or engaging in hedging or short-term speculative trading of the Company's securities.

\* \* \* \* \*

Despite the loss in market value of the Company's stock in 2012 and recent regulatory, competitive and economic challenges, the Board and management remain committed to Western Union's long-term success and to taking steps to create long-term stockholder value. We firmly believe that our historically strong cash flow, significant annual dividend, worldwide brand, global retail network, and historical and continuing focus on the customer remain key components of Western Union's business from which to leverage future growth, including through innovations in Western Union Business Solutions and Western Union Digital and online services.

Investor feedback on corporate governance is extremely helpful in enabling us to achieve long-term success, and you should feel free to contact us using the contact information given in the enclosed proxy statement. Thank you for your support and confidence.

The Board of Directors of The Western Union Company

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THE WESTERN UNION COMPANY

12500 East Belford Avenue  
Englewood, Colorado 80112  
April 17, 2013

Dear Stockholder:

You are cordially invited to attend the 2013 Annual Meeting of Stockholders of The Western Union Company (the “Company”), to be held at 8:00 a.m., local time, on Thursday, May 30, 2013, at 505 Fifth Avenue, 7th Floor, New York, NY 10017. A registration desk will open at 7:30 a.m.

The attached notice and Proxy Statement contain details of the business to be conducted at the annual meeting. In addition, the Company’s 2012 Annual Report, which is being made available to you along with the Proxy Statement, contains information about the Company and its performance. Directors and officers of the Company will be present at the annual meeting.

Your vote is important! Whether or not you plan to attend the annual meeting, please read the Proxy Statement and then vote, at your earliest convenience, by telephone or Internet, or request a proxy card to complete, sign, and date and return by mail. Using the telephone or Internet voting systems, or mailing your completed proxy card, will not prevent you from voting in person at the meeting if you are a stockholder of record and wish to do so.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the Company.

Regards,

Hikmet Ersek  
President, Chief Executive Officer and Director

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THE WESTERN UNION COMPANY

12500 East Belford Avenue  
Englewood, Colorado 80112  
(866) 405-5012

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD May 30, 2013

NOTICE IS HEREBY GIVEN that the 2013 Annual Meeting of Stockholders of The Western Union Company, a Delaware corporation (the "Company"), will be held at 8:00 a.m., local time, on Thursday, May 30, 2013, at 505 Fifth Avenue, 7th Floor, New York, New York 10017, for the following purposes:

1. Elect Dinyar S. Devitre, Betsy D. Holden, Wulf von Schimmelmänn, and Solomon D. Trujillo to serve as members of the Company's Board of Directors until the Company's 2014 Annual Meeting of Stockholders.
2. Hold an advisory vote to approve executive compensation.
3. Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2013.
4. Approve amendments to the Company's Amended and Restated Certificate of Incorporation to provide stockholders the right to call special meetings of stockholders.
5. Vote on the stockholder proposal described in the accompanying Proxy Statement, if properly presented at the 2013 Annual Meeting of Stockholders.
6. Transact any other business as may properly come before the meeting or any adjournment or postponement of the meeting.

The Board of Directors recommends the following votes:

**FOR** the election of all the nominees for the Board of Directors.

**FOR** the approval of a resolution to approve, on an advisory basis, the compensation of the Company's named executive officers, as described in the Compensation Discussion and Analysis section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure, set forth in this Proxy Statement.

**FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2013.

**FOR** the amendments to the Company's Amended and Restated Certificate of Incorporation to provide stockholders the right to call special meetings of stockholders.

**AGAINST** the stockholder proposal described in the accompanying Proxy Statement, if properly presented at the 2013 Annual Meeting of Stockholders.

Our stockholders of record on April 1, 2013 are entitled to notice of and to vote at the meeting and at any adjournment or postponement that may take place. A list of stockholders entitled to vote at the meeting will be available for the examination of any stockholder at the annual meeting and for ten days prior to the annual meeting at our principal executive offices located at 12500 East Belford Avenue, Englewood, Colorado 80112.

You are cordially invited to attend the annual meeting. To gain admission, you will need to show that you are a stockholder of the Company. All stockholders will be required to show valid, government-issued, picture identification or an employee badge issued by the Company. If your shares are registered in your name, your name will be compared to the list of registered stockholders to verify your share ownership. If your shares are in the name of your broker or bank, you will need to bring evidence of your share ownership, such as your most recent brokerage account statement or a legal proxy from your broker. If you do not have valid picture identification and proof that you own Company shares, you will not be admitted to the annual meeting of stockholders.

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All packages and bags are subject to inspection. Please note that the registration desk will open at 7:30 a.m. Please arrive in advance of the start of the meeting to allow time for identity verification.

Your vote is extremely important. We appreciate your taking the time to vote promptly. After reading the Proxy Statement, please vote, at your earliest convenience by telephone or Internet, or request a proxy card to complete, sign, and return by mail. If you decide to attend the annual meeting and would prefer to vote by ballot, your proxy will be revoked automatically and only your vote at the annual meeting will be counted. **YOUR SHARES CANNOT BE VOTED UNLESS YOU VOTE BY: (i) TELEPHONE; (ii) INTERNET; (iii) REQUESTING A PAPER PROXY CARD TO COMPLETE, SIGN, AND RETURN BY MAIL; OR (iv) ATTENDING THE ANNUAL MEETING AND VOTING IN PERSON.** Please note that all votes cast via telephone or the Internet must be cast prior to 12:00 p.m., Central Daylight Time on Wednesday, May 29, 2013.

By Order of the Board of Directors

John R. Dye  
Executive Vice President, General Counsel and Secretary  
April 17, 2013

**YOUR VOTE IS IMPORTANT  
PLEASE PROMPTLY VOTE BY TELEPHONE OR INTERNET, OR REQUEST A PROXY CARD TO COMPLETE, SIGN AND RETURN BY MAIL SO THAT YOUR SHARES MAY BE VOTED IN ACCORDANCE WITH YOUR WISHES AND SO THAT THE PRESENCE OF A QUORUM MAY BE ASSURED. YOUR PROMPT ACTION WILL AID THE COMPANY IN REDUCING THE EXPENSE OF PROXY SOLICITATION.**

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Proxy Statement and Proxy Process

THE WESTERN UNION COMPANY

12500 East Belford Avenue  
Englewood, Colorado 80112  
(866) 405-5012

PROXY STATEMENT

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The Board of Directors (“Board of Directors” or “Board”) of The Western Union Company (“Western Union” or the “Company”) is soliciting your proxy to vote at the annual meeting of stockholders to be held on May 30, 2013 at 8:00 a.m., local time, and any adjournment or postponement of that meeting. The meeting will be held at 505 Fifth Avenue, 7th Floor, New York, New York 10017.

In accordance with rules and regulations of the Securities and Exchange Commission (the “SEC”), instead of mailing a printed copy of our proxy materials to each stockholder of record or beneficial owner, we furnish proxy materials, which include this Proxy Statement and the accompanying Proxy Card, Notice of Meeting, and Annual Report to Stockholders, to our stockholders over the Internet unless otherwise instructed by the stockholder. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice of Internet Availability of Proxy Materials.

The Notice of Internet Availability of Proxy Materials was first mailed on or before April 17, 2013 to all stockholders of record as of April 1, 2013 (the “Record Date”). The only voting securities of the Company are shares of the Company’s Common Stock, \$0.01 par value per share (the “Common Stock”), of which there were 559,345,871 shares outstanding as of the Record Date.

The Company’s Annual Report to Stockholders, which contains consolidated financial statements for the year ended December 31, 2012, accompanies this Proxy Statement. You also may obtain a copy of the Company’s Annual Report on Form 10-K for the year ended December 31, 2012 that was filed with the SEC, without charge, by writing to Investor Relations, The Western Union Company, 12500 East Belford Avenue, Mailstop M23IR, Englewood, Colorado 80112. If you would like to receive a copy of any exhibits listed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012, please call (866) 405-5012 or submit a request in writing to Investor Relations at the above address, and the Company will provide you with the exhibits upon the payment of a nominal fee (which fee will be limited to the expenses we incur in providing you with the requested exhibits). The Company’s Annual Report on Form 10-K and these exhibits are also available in the “Investor Relations” section of [www.westernunion.com](http://www.westernunion.com).

THE PROXY PROCESS AND STOCKHOLDER VOTING

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Why Did I Receive These Materials?

Our Board of Directors has made these materials available to you on the Internet or, upon your request, has delivered printed versions of these materials to you by mail, in connection with the Board’s solicitation of proxies for use at our 2013 Annual Meeting of Stockholders, which will take place on May 30, 2013, or any adjournment or postponement thereof. Our stockholders are invited to attend the annual meeting and are requested to vote on the proposals described in this Proxy Statement.

What Does It Mean If I Receive More Than One Notice of Internet Availability of Proxy Materials or Proxy Card?

This means you hold shares of the Company in more than one way. For example, you may own some shares directly as a “Registered Holder” and other shares through a broker or you may own shares through more than one broker. In these situations you may receive multiple Notices of Internet Availability of Proxy Materials or, if you request proxy materials to be delivered to you by mail, Proxy Cards. It is necessary for you to vote, sign, and return all of the Proxy Cards or follow the instructions for any alternative voting procedure on each of the Notices of Internet Availability of Proxy Materials you receive in order to vote all of the shares you own. If you request proxy materials to be delivered to you by mail, each Proxy Card you receive will come with its own prepaid return envelope; if you vote by mail, make sure you return each Proxy Card in the return envelope which accompanied that Proxy Card.



## Proxy Statement and Proxy Process

### Why Did My Household Receive Only One Copy of the Notice of Internet Availability of Proxy Materials or Proxy Materials?

In addition to furnishing proxy materials electronically, we take advantage of the SEC's "householding" rules to reduce the delivery cost of materials. Under such rules, only one Notice of Internet Availability of Proxy Materials or, if you have requested paper copies, only one set of proxy materials are delivered to multiple stockholders sharing an address unless we have received contrary instructions from one or more of the stockholders. If you are a stockholder sharing an address and wish to receive a separate Notice of Internet Availability of Proxy Materials or copy of the proxy materials, you may so request by contacting the Broadridge Householding Department by phone at 1-800-542-1061 or by mail to Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York 11717. A separate copy will be promptly provided following receipt of your request, and you will receive separate materials in the future. If you currently share an address with another stockholder but are nonetheless receiving separate copies of the materials, you may request delivery of a single copy in the future by contacting the Broadridge Householding Department at the number or address shown above.

### Does My Vote Matter?

YES! We are required to obtain stockholder approval for the election of directors and other important matters. Each share of Common Stock is entitled to one vote and every share voted has the same weight. In order for the Company to obtain the necessary stockholder approval of proposals, a "quorum" of stockholders (a majority of the issued and outstanding shares entitled to vote) must be represented at the meeting in person or by proxy. If a quorum is not obtained, the Company must adjourn or postpone the meeting and solicit additional proxies; this is an expensive and time-consuming process that is not in the best interest of the Company or its stockholders. Since few stockholders can spend the time or money to attend stockholder meetings in person, voting by proxy is important to obtain a quorum and complete the stockholder vote.

### How Do I Vote?

**By Telephone or Internet**—You may vote your shares via telephone as instructed on the Proxy Card, or the Internet as instructed on the Proxy Card or the Notice of Internet Availability of Proxy Materials. The telephone and Internet procedures are designed to authenticate your identity, to allow you to vote your shares, and confirm that your instructions have been properly recorded.

The telephone and Internet voting facilities will close at 12:00 p.m., Central Daylight Time, on May 29, 2013.

**By Mail**—If you request paper Proxy Cards by telephone or Internet, you may elect to vote by mail. If you elect to do so, you should complete, sign, and date each Proxy Card you receive, indicating your voting preference on each proposal, and return each Proxy Card in the prepaid envelope which accompanied that Proxy Card. If you return a signed and dated Proxy Card but you do not indicate your voting preferences, your shares will be voted in accordance with the recommendations of the Board of Directors. By returning your signed and dated Proxy Card or providing instructions by the alternative voting procedure in time to be received for the 2013 Annual Meeting of Stockholders, you authorize Hikmet Ersek and John R. Dye to act as your Proxies to vote your shares of Common Stock as specified.

**At the Meeting**—Shares held in your name as the stockholder of record may be voted by you in person at the annual meeting. Shares held beneficially on your behalf by a broker or agent may be voted by you in person at the annual meeting only if you obtain a legal proxy from the broker or agent that holds your shares giving you the right to vote the shares, and you bring such proxy to the annual meeting.

**Shares held in The Western Union Company Incentive Savings Plan**—For shares held in The Western Union Company Incentive Savings Plan, that plan's trustee will vote such shares as directed. If no direction is given on how to vote such shares to the trustee by mail on or before May 24, 2013 or by Internet or phone by 11:59 p.m. (Central time) on May 27, 2013, the trustee will vote your shares held in that plan in the same proportion as the shares for which it receives instructions from all other participants in the plan.

### How Many Votes Are Required to Approve a Proposal?

The Company's By-Laws (the "By-Laws") require directors to be elected by the majority of votes cast with respect to such director in uncontested elections (the number of shares voted "for" a director must exceed the number of votes cast "against" that director). In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or

by proxy at any such meeting and entitled to vote on the election of directors.

THE WESTERN UNION COMPANY-Proxy Statement 2

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## Proxy Statement and Proxy Process

The proposal regarding stockholder special meeting rights (Proposal 4) requires the affirmative vote of the holders of a majority of the outstanding common stock of the Company entitled to vote thereon. The advisory vote to approve executive compensation (Proposal 2), the ratification of Ernst & Young LLP's appointment as independent registered public accounting firm (Proposal 3), and the stockholder proposal (Proposal 5) set forth in this Proxy Statement require the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy at the annual meeting and entitled to vote thereon.

### What Is The Effect Of Not Voting?

It depends on how ownership of your shares is registered and the proposal to be voted upon. If you own shares as a Registered Holder, rather than through a broker, your unvoted shares will not be represented at the meeting and will not count toward the quorum requirement. A failure to vote on Proposal 4 will have the same effect as a vote against the Proposal. Except as described below, and assuming a quorum is obtained, with respect to each of the other proposals your unvoted shares will not affect whether a proposal is approved or rejected.

If you own shares through a broker and do not vote, your broker may represent your shares at the meeting for purposes of obtaining a quorum. As described in the answer to the following Question, in the absence of your voting instruction, your broker may or may not vote your shares.

### If I Don't Vote, Will My Broker Vote For Me?

If you own your shares through a broker and you don't vote, your broker may vote your shares in its discretion on some "routine matters." With respect to other proposals, however, your broker may not be able to vote your shares for you. With respect to these proposals, the aggregate number of unvoted shares is reported as the "broker non-vote." "Broker non-vote" shares are counted toward the quorum requirement. "Broker non-vote" shares will have the same effect as a vote against Proposal 4. With respect to each of the other proposals, a "broker non-vote" share will not affect the determination of whether the matter is approved. The Company believes that the proposal to ratify Ernst & Young LLP's appointment as independent registered public accounting firm (Proposal 3) set forth in this Proxy Statement is a routine matter on which brokers will be permitted to vote any unvoted shares.

Other than Proposal 3, the Company believes that all other proposals set forth in this Proxy Statement are not considered routine matters and brokers will not be able to vote on behalf of their clients if no voting instructions have been furnished. Please vote your shares on all proposals.

### How Are Abstentions Treated?

Whether you own your shares as a Registered Holder or through a broker, abstentions are counted toward the quorum requirement and are counted as votes "against" a proposal, other than the proposal for the election of directors.

### If I Own My Shares Through A Broker, How Is My Vote Recorded?

Brokers typically own shares of Common Stock for many stockholders. In this situation the Registered Holder on the Company's stock register is the broker or its nominee. This often is referred to as holding shares in "Street Name." The "Beneficial Owners" do not appear in the Company's stockholder register. If you hold your shares in Street Name, and elect to vote via telephone or the Internet, your vote will be submitted to your broker. If you request paper Proxy Cards and elect to vote by mail, the accompanying return envelope is addressed to return your executed Proxy Card to your broker. Shortly before the meeting, each broker totals the votes submitted by telephone, Internet, or mail by the Beneficial Owners for whom it holds shares, and submits a Proxy Card reflecting the aggregate votes of such Beneficial Owners.

### Is My Vote Confidential?

In accordance with the Company's Corporate Governance Guidelines, the vote of any stockholder will not be revealed to anyone other than a non-employee tabulator of votes or an independent election inspector, except (i) as necessary to meet applicable legal and stock exchange listing requirements, (ii) to assert claims for or defend claims against the Company, (iii) to allow the Inspectors of Election to certify the results of the stockholder vote, (iv) in the event a proxy, consent, or other solicitation in opposition to the voting recommendation of the Board of Directors takes place, (v) if a stockholder has requested that his or her vote be disclosed, or (vi) to respond to stockholders who have written comments on Proxy Cards.



## Proxy Statement and Proxy Process

### Can I Revoke My Proxy And Change My Vote?

Yes. You have the right to revoke your proxy at any time prior to the time your shares are voted. If you are a Registered Holder, your proxy can be revoked in several ways: (i) by timely delivery of a written revocation delivered to the Corporate Secretary, (ii) by timely submission of another valid proxy bearing a later date (including through any alternative voting procedure described on the Notice of Internet Availability of Proxy Materials or Proxy Card), or (iii) by attending the meeting and giving the Inspectors of Election notice that you intend to vote your shares in person. If your shares are held by a broker, you must contact your broker in order to revoke your proxy.

### Will Any Other Business Be Transacted At The Meeting? If So, How Will My Proxy Be Voted?

Management does not know of any business to be transacted at the annual meeting of stockholders other than those matters described in this Proxy Statement. The period specified in the Company's By-Laws for submitting additional proposals to be considered at the meeting has passed and there are no such proposals to be considered. However, should any other matters properly come before the meeting, and any adjournments and postponements thereof, shares with respect to which voting authority has been granted to the Proxies will be voted by the Proxies in accordance with their judgment.

### Who Counts The Votes?

Votes will be counted and certified by the Inspectors of Election, who are employees of Wells Fargo Bank, N.A., the Company's Transfer Agent and Registrar. If you are a Registered Holder, your telephone or Internet vote is submitted, or your executed Proxy Card is returned, directly to Wells Fargo for tabulation. As noted above, if you hold your shares through a broker, your broker returns a single Proxy Card to Wells Fargo on behalf of its clients.

### How Much Does The Proxy Solicitation Cost?

The Company has engaged the firm of MacKenzie Partners, Inc., 105 Madison Avenue, New York, New York 10016, to assist in distributing and soliciting proxies for a fee of \$10,000, plus expenses. However, the proxy solicitor fee is only a small fraction of the total cost of the proxy process. The largest expense in the proxy process is printing and mailing the proxy materials. The Company will also reimburse brokers, fiduciaries, and custodians for their costs in forwarding proxy materials to Beneficial Owners of our Common Stock. Proxies also may be solicited on behalf of the Company by directors, officers, or employees of the Company in person or by mail, telephone, or facsimile transmission. No additional compensation will be paid to such directors, officers, or employees for soliciting proxies. The Company will bear the entire cost of solicitation of proxies, including the preparation, assembly, printing, and mailing of the Notice of Internet Availability of Proxy Materials, and this Proxy Statement and the accompanying Proxy Card, Notice of Meeting, and Annual Report to Stockholders.

### IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

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The Company's Proxy Statement and Annual Report to Stockholders are available at [www.ematerials.com/wu](http://www.ematerials.com/wu) for Registered Holders and at [www.proxyvote.com](http://www.proxyvote.com) for Beneficial Owners. To access such materials, you will need the control/identification numbers provided to you in your Notice of Internet Availability of Proxy Materials or your Proxy Card.



## Board of Directors Information

## BOARD OF DIRECTORS INFORMATION

In accordance with applicable Delaware law, the business of the Company is managed under the direction of its Board of Directors. Pursuant to the Company's Amended and Restated Certificate of Incorporation, the Board of Directors is to consist of not less than one nor more than 15 directors. At the Company's 2012 Annual Meeting of Stockholders, the Company's stockholders approved an amendment to the Company's Amended and Restated Certificate of Incorporation to declassify the Board of Directors such that each director will be elected to a one-year term beginning with the directors elected at the 2013 Annual Meeting of Stockholders. During 2012, the Board of Directors met nine times (not including committee meetings). Each of the directors attended at least 75% of the aggregate number of meetings of the Board and Board committees on which they served during 2012.

## Board of Directors Members

| Name and Age                | Principal Occupation, Business Experience and Directorships  | Experience, Qualifications, Attributes and Skills Supporting Directorship Position on the Company's Board*  | Director Since |
|-----------------------------|--|---|----------------|
| Dinyar S. Devitre<br>Age 65 | Special Advisor to General Atlantic LLC since June 2008. Mr. Devitre served as Senior Vice President and Chief Financial Officer of Altria Group, Inc. from March 2002 until March 2008. From 2001 to 2002, Mr. Devitre served as a private business consultant and from 1998 to 2001, he was Executive Vice President at Citibank in Europe. He started with the Altria Group companies in 1970 and served in a variety of positions, including President Philip Morris, Asia, Chairman and Chief Executive Officer Philip Morris, Japan, and Senior Vice President, Corporate Planning, Philip Morris Companies, Inc. from 1995 to 1998. Mr. Devitre was a director of Kraft Foods Inc. from September 2002 to May 2007, and is a director of SABMiller plc and Altria Group, Inc. Mr. Devitre's term expires in 2013. | Mr. Devitre brings to the Board experience as the chief financial officer of a large U.S.-based multinational company, as an executive and director of large consumer goods corporations subject to regulation in multiple jurisdictions and as an executive of a financial services company. Mr. Devitre has experience with complex capital structures and related issues. Mr. Devitre also provides the Board with diversity in viewpoint and international business experience as a native of India who has lived and worked in many countries. | 2006           |
| Hikmet Ersek<br>Age 52      | President and Chief Executive Officer of the Company since September 2010. Prior to taking this position, Mr. Ersek had served as our Chief Operating Officer since January 2010. From December 2008 to December 2009, Mr. Ersek served as the Company's Executive Vice President and Managing Director, Europe, Middle East, Africa and Asia Pacific Region. From September 2006 to December 2008, Mr. Ersek served as the Company's Executive Vice President and Managing Director, Europe/Middle  | Mr. Ersek is the only Director who is also an executive of the Company. Mr. Ersek provides his insight as the Company's leader, and from his prior roles as the Company's Chief Operating Officer and leader in the Company's Europe, Middle East, Africa and Asia Pacific region, a significant area for the Company. Mr. Ersek provides many years of international consumer payment sales, marketing, distribution, and operations insight from his experience with the Company, GE Capital, and   | 2010           |

East/Africa/South Asia. Prior to September 2006, Mr. Ersek held various positions of increasing responsibility with Western Union. Before joining Western Union in September 1999, Mr. Ersek was with GE Capital and Europay/MasterCard specializing in European payment systems and consumer finance. Mr. Ersek's term expires in 2014.

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Board of Directors Information

| Name and Age                 | Principal Occupation, Business Experience and Directorships  | Experience, Qualifications, Attributes and Skills Supporting Directorship Position on the Company's Board*   | Director Since |
|------------------------------|--|--|----------------|
| Richard A. Goodman<br>Age 64 | Executive Vice President, Global Operations of PepsiCo Inc. ("PepsiCo") from March 2010 to December 2011. Prior to that, Mr. Goodman was PepsiCo's Chief Financial Officer from October 2006. From 2003 until October 2006, Mr. Goodman was Senior Vice President and Chief Financial Officer of PepsiCo International. Mr. Goodman served as Senior Vice President and Chief Financial Officer of PepsiCo Beverages International from 2001 to 2003, and as Vice President and General Auditor of PepsiCo from 2000 to 2001. Before joining PepsiCo in 1992, Mr. Goodman was with W.R. Grace & Co. in a variety of senior financial positions. Mr. Goodman is a director of Johnson Controls Inc. and Toys "R" Us, Inc. Mr. Goodman's term expires in 2015. | Mr. Goodman brings to the Board experience as the chief financial officer and executive of a large, U.S.-based global company that manufactures, markets, and distributes a broad range of consumer goods. Mr. Goodman has experience with complex capital structures, and brings to the Board and management perspective with regard to consumer products, marketing, and brand management. Mr. Goodman also brings to the Board his experience as a board member of both a global diversified industrial company and a global retailer.  | 2012           |
| Jack M. Greenberg<br>Age 70  | Non-Executive Chairman of the Board of Directors. Mr. Greenberg was Chairman (from May 1999) and Chief Executive Officer (from August 1998) of McDonald's Corporation until December 2002. Mr. Greenberg joined McDonald's Corporation as Executive Vice President and Chief Finance Officer and as a member of the Board of Directors in 1982. He served as a director of First Data from 2003 to 2006 and as a director of Abbott Laboratories from 2001 to 2007. Mr. Greenberg is a director of The Allstate Corporation, Hasbro, Inc., Innerworkings, Inc., where he serves as Chairman of the Board, and Manpower Inc. Mr. Greenberg's term expires in 2014.  | Mr. Greenberg's experience as the Chairman and Chief Executive Officer of McDonald's Corporation is supportive of his role as Non-Executive Chairman of the Board. He has experience working with large, global distribution networks, similar to the Company's agent network, and operations, consumer marketing, pricing, and trend analysis. Mr. Greenberg brings to the Board experience as the chief financial officer of a large U.S.-based multinational company. He is also a certified public accountant and an attorney. Mr. Greenberg is the only Director who was a director of the Company's former parent company, which provides historical context for the Company's operations. | 2006           |
| Betsy D. Holden<br>Age 57    | Senior Advisor to McKinsey & Company since April 2007. Ms. Holden served as President, Global Marketing and Category Development of Kraft Foods Inc., a food business unit of Altria Group, Inc., from January 2004 through June 2005, Co-Chief Executive Officer of   | Ms. Holden brings to the Board experience as a chief executive officer of a large U.S.-based multinational company and provides the Board with insights into consumer marketing and brand management from her years of experience with Kraft Foods. She is familiar with the   | 2006           |

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Kraft Foods Inc. from March 2001 until December 2003, and President and Chief Executive Officer of Kraft Foods North America from May 2000 until December 2003. Ms. Holden began her career at General Foods in 1982. She currently serves as a director of the Catamaran Corporation and Diageo plc. Ms. Holden's term expires in 2013.

challenges of operating in a highly regulated industry. Her current role as Senior Advisor to McKinsey & Company is focused on strategy, marketing, innovation, and board effectiveness initiatives across a variety of industries.

Board of Directors Information

| Name and Age                   | Principal Occupation, Business Experience and Directorships   | Experience, Qualifications, Attributes and Skills Supporting Directorship Position on the Company's Board*   | Director Since |
|--------------------------------|---|--|----------------|
| Linda Fayne Levinson<br>Age 71 | An advisor to professionally funded, privately held ventures. Ms. Fayne Levinson was Non-Executive Chair of the Board of Connexus, Inc., formerly VendareNetblue, a privately held online marketing company until May 2010 when it was merged with Epic Advertising. From 1997 until May 2004, Ms. Fayne Levinson was a partner at GRP Partners, a venture capital firm, investing in early stage technology companies in the financial services, internet media and online retail sectors. Earlier in her career, Ms. Fayne Levinson was an executive at American Express and a partner at McKinsey & Company. She is a director of NCR Corporation, Jacobs Engineering Group Inc., Ingram Micro, Inc., and Hertz Global Holdings Inc. Ms. Fayne Levinson's term expires in 2014.  | Ms. Fayne Levinson provides a combination of consumer payments business experience with that of emerging technology and online retail services companies. She also provides general management experience from her time at American Express, strategic experience as a former McKinsey partner, and investment experience from her time as a venture capital investor. Each of these areas is central to the Company's business. Ms. Fayne Levinson also has substantial experience with respect to executive compensation matters and corporate governance. | 2006           |
| Roberto G. Mendoza<br>Age 67   | Senior Managing Director of Atlas Advisors LLC, an independent global investment banking firm, since March 2010. Previously, Mr. Mendoza co-founded Deming Mendoza & Co., LLC, a corporate finance advisory firm, and served as one of its partners from February 2009 to March 2010. Mr. Mendoza served as Non-Executive Chairman of Trinsum Group from February 2007 to November 2008. In January 2007, Trinsum Group was formed as a result of a merger of Marakon Associates and Integrated Finance Limited, a financial advisory company which Mr. Mendoza co-founded and of which he served as Chairman of the Board and Managing Director from 2002 to February 2007. He also served as Managing Director of Goldman Sachs Services from September 2000 to February 2001. From 1967 to 2000, Mr. Mendoza held positions at J.P. Morgan & Co. Inc., serving from 1990 to 2000 as director and Vice Chairman of the Board. | Mr. Mendoza has substantial experience in investment banking and financial services. Mr. Mendoza also provides the Board with diversity in viewpoint and international business experience as he has lived and worked, and served on a variety of public company boards, both in the U.S. and abroad.  | 2006           |

Mr. Mendoza served as Chairman of Egg plc from May 2000 to February 2006, and as a director of Prudential plc from May 2000 to May 2007, and of PARIS RE Holdings Limited from January 2007 to September 2009. He currently serves as a director of PartnerRe Ltd. and Manpower Inc. Mr. Mendoza's term expires in 2015.

Michael A.  
Miles, Jr.  
Age 51

Advisory Director of Berkshire Partners, a private equity firm, since March 2013. Previously, Mr. Miles was President of Staples, Inc. from January 2006 and Chief Operating Officer from September 2003. Prior to that, Mr. Miles was Chief Operating Officer, Pizza Hut for Yum! Brands, Inc. from January 2000 to August 2003. From 1996 to 1999, he served Pizza Hut as Senior Vice President of Concept Development & Franchise. Mr. Miles' term expires in 2015.

Mr. Miles has experience as an executive of an international consumer goods retailer, and with large acquisitions outside of the U.S. and franchise distribution networks, which are similar to the Company's agent network. Mr. Miles also brings U.S. and global operational expertise to the Board discussions.

2006

Board of Directors Information

| Name and Age                    | Principal Occupation, Business Experience and Directorships   | Experience, Qualifications, Attributes and Skills Supporting Directorship Position on the Company's Board*   | Director Since |
|---------------------------------|---|--|----------------|
| Wulf von Schimmelmann<br>Age 66 | Chief Executive Officer of Deutsche Postbank AG, a Germany-based financial services provider, from 1999 to June 2007. Before that, Mr. von Schimmelmann was a member of the Board of Managing Directors at BHF-Bank in Frankfurt am Main, where he was responsible for investment banking, payment transactions, and corporate customers. Mr. von Schimmelmann is Chair of the Supervisory Board of Deutsche Post AG, a member of the Supervisory Board of Maxingvest AG and Allianz Deutschland AG, and a director of Accenture Ltd. and Thomson Reuters International. Mr. von Schimmelmann served as Chair of the Supervisory Board of BAWAG P.S.K. from 2007 to 2009, and as a member of the Supervisory Board of Deutsche Telekom AG from 2006 to 2009. Mr. von Schimmelmann's term expires in 2013. | Mr. von Schimmelmann brings to the Board experience as a chief executive officer of a large German multinational company. He has experience running a consumer-focused financial services business which was also an agent of the Company. This provides a perspective to the Board of one of the Company's largest external constituent groups. Mr. von Schimmelmann has also operated in highly regulated financial services industries in a European jurisdiction. He also provides the viewpoint of a European who has also worked in the U.S. | 2009           |
| Solomon D. Trujillo<br>Age 61   | Founded Trujillo Group Investments, LLC, and has served as chairman since July 2003. Mr. Trujillo also served as the Chief Executive Officer and as director of Telstra Corporation Limited, Australia's largest media-communications enterprise, from July 2005 to June 2009. From February 2003 to March 2004, Mr. Trujillo was Orange SA's Chief Executive Officer. Before that, Mr. Trujillo was Chairman, President and Chief Executive Officer of Graviton, Inc. from January 2001 until January 2003. Mr. Trujillo is a director of Target Corporation, WPP plc, and ProAmerica Bank. Mr. Trujillo's term expires in 2013.   | Mr. Trujillo is an international business executive with experience as a chief executive officer of global companies in the telecommunications, media, and cable industries headquartered in the United States, the European Union, and the Asia-Pacific region. He has global operations experience and provides the Board with substantial international experience and expertise in the retail, technology, media, and communications industries.   | 2012           |

The Board selects nominees for Director on the basis of experience, integrity, skills, diversity, ability to make independent analytical inquiries, understanding of the Company's business environment, and willingness to devote adequate time to Board duties, all in the context of an assessment of the perceived needs of the Board at a given point in time. In addition to the individual attributes of each of the directors described in the preceding table, the Company highly values the collective business experience and qualifications of the directors. We believe that the experiences, viewpoints, and perspectives of our directors result in a Board with the commitment and energy to advance the interests of our stockholders.

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## Board of Directors Information

## Director Qualifications Matrix

The following matrix is provided to illustrate the skills and qualifications of our Board.

| Director              | Leadership     |                | Regulated Industry | Financial          |   | International    |                               | Diversity |           |           |
|-----------------------|----------------|----------------|--------------------|--------------------|---|------------------|-------------------------------|-----------|-----------|-----------|
|                       | CEO Experience | CFO Experience |                    | Financial Literacy | Eligible for Audit Committee Qualified Expert | Emerging Markets | Global Operational Experience | Gender    | Ethnicity | Geography |
| Dinyar S. Devitre     | X              | X              | X                  | X                  | X   |                  | X                             | M         | X         | X         |
| Hikmet Ersek          | X              |                | X                  | X                  |   | X                | X                             | M         |           | X         |
| Richard A. Goodman    |                | X              |                    | X                  | X   |                  | X                             | M         |           |           |
| Jack M. Greenberg     | X              | X              | X                  | X                  | X   | X                | X                             | M         |           |           |
| Betsy D. Holden       | X              |                | X                  | X                  |   |                  | X                             | F         |           |           |
| Linda Fayne Levinson  | X              |                | X                  | X                  |   |                  |                               | F         |           |           |
| Roberto G. Mendoza    |                |                | X                  | X                  |   |                  | X                             | M         | X         | X         |
| Michael A. Miles, Jr. |                |                |                    | X                  |   |                  | X                             | M         |           |           |
| Wulf von Schimmelmann | X              |                | X                  | X                  |   |                  | X                             | M         |           | X         |
| Solomon D. Trujillo   | X              |                | X                  | X                  |   | X                | X                             | M         | X         | X         |

Proposal 1

Proposal 1

ELECTION OF DIRECTORS

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The Board of Directors is currently divided into three classes. At the Company's 2012 Annual Meeting of Stockholders, the Company's stockholders approved a proposal to amend the Company's Amended and Restated Certificate of Incorporation to declassify the Board of Directors such that each director standing for election or re-election will be elected to a one-year term beginning with the directors elected at the 2013 Annual Meeting of Stockholders. The terms of office of Mr. Devitre, Ms. Holden, and Mr. von Schimmelmann expire at the 2013 Annual Meeting of Stockholders. Upon the recommendation of the Corporate Governance and Public Policy Committee, the Board of Directors appointed Mr. Trujillo as a director in July 2012, subject to election by the stockholders at the 2013 Annual Meeting of Stockholders. Mr. Trujillo was originally recommended to the Corporate Governance and Public Policy Committee by a search firm. Mr. Devitre, Ms. Holden, and Mr. von Schimmelmann have been nominated for re-election, and Mr. Trujillo has been nominated for election, through the 2014 Annual Meeting of Stockholders, or until a successor is elected and qualified. (See the "Board of Directors Information" section of this Proxy Statement for information concerning all directors.) In the case of a vacancy occurring during the year in any class, the Board of Directors may elect another director as a replacement, may leave the vacancy unfilled or may reduce the number of directors.

If re-elected or elected, as applicable, the terms of Mr. Devitre, Ms. Holden, Mr. von Schimmelmann, and Mr. Trujillo will expire at the 2014 Annual Meeting of Stockholders. The terms of Mr. Ersek, Mr. Greenberg, and Ms. Fayne Levinson also expire at the 2014 Annual Meeting of Stockholders. Along with the terms of directors elected at the 2014 Annual Meeting of Stockholders, the terms of Mr. Goodman, Mr. Mendoza, and Mr. Miles expire at the 2015 Annual Meeting of Stockholders. At the 2015 Annual Meeting of Stockholders, and at subsequent annual meetings of stockholders, all directors will be elected on an annual basis to one-year terms.

The Company's By-Laws require directors to be elected by the majority of votes cast with respect to such director in uncontested elections (the number of shares voted "for" a director must exceed the number of votes cast "against" that director). In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors will be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

Under the Company's By-Laws, if an incumbent director is not elected, the director will promptly tender his or her resignation to the Board of Directors. The Corporate Governance and Public Policy Committee will make a recommendation to the Board of Directors as to whether to accept or reject the resignation of such incumbent director, or whether other action should be taken. The Board of Directors will act on the resignation, taking into account the committee's recommendation, and publicly disclose (by a press release, a filing with the Securities Exchange Commission or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days following certification of the election results. If such incumbent director's resignation is not accepted by the Board of Directors, such director will continue to serve until the next annual meeting and until his or her successor is duly elected or his or her earlier resignation or removal.

Your shares will be voted as you instruct via the telephone or Internet voting procedure described on the Proxy Card or the Notice of Internet Availability of Proxy Materials, or as you specify on your Proxy Card(s) if you elect to vote by mail. If unforeseen circumstances (such as death or disability) require the Board of Directors to substitute another person for any of the director nominees, your shares will be voted for that other person.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE TO RE-ELECT MR. DEVITRE, MS. HOLDEN, AND MR. VON SCHIMMELMANN, AND TO ELECT MR. TRUJILLO, AS DIRECTORS TO SERVE UNTIL THE 2014 ANNUAL MEETING OF STOCKHOLDERS OR UNTIL THEIR RESPECTIVE SUCCESSORS ARE ELECTED AND QUALIFIED.**



Corporate Governance

CORPORATE GOVERNANCE

Summary of Corporate Governance Practices

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The Board of Directors believes that strong corporate governance is key to long-term stockholder value creation. Over the years, our Board of Directors has responded to evolving governance standards by enhancing our practices to best serve the interests of the Company's stockholders, including:

• Annual election of directors (approved by stockholders in 2012; phased in beginning in 2013).

• Proxy access. Our By-Laws permit qualifying stockholders or groups of qualifying stockholders that have each beneficially owned at least 3% of the Company's common stock for three years to nominate up to an aggregate of 20% of the members of the Board and have information and supporting statements regarding those nominees included in the Company's proxy statement.

• Majority vote standard in uncontested elections. Each director must be elected by a majority of votes cast, rather than by a plurality.

• No stockholder rights plan ("poison pill").

• If proposal 4 is approved, stockholders will have the ability to call a special meeting of stockholders.

• No supermajority voting provisions in the Company's organizational documents.

• Independent Board. Our Board is comprised of all independent directors, except our Chief Executive Officer.

• Independent non-executive chairman. The Chairman of the Board of Directors, Jack Greenberg, is a non-executive independent director.

• Independent Board committees. Each of the Audit Committee, Compensation and Benefits Committee, and Corporate Governance and Public Policy Committee is made up of independent directors. Each standing committee operates under a written charter that has been approved by the Board.

• Confidential stockholder voting. The Company's Corporate Governance Guidelines provide that the vote of any stockholder will not be revealed to anyone other than a non-employee tabulator of votes or an independent election inspector, except as set forth therein.

• Committee authority to retain independent advisors. Each of the Audit Committee, Compensation and Benefits Committee, and Corporate Governance and Public Policy Committee has the authority to retain independent advisors.

• Robust code of conduct. The Company is committed to operating its business with honesty and integrity and maintaining the highest level of ethical conduct. These absolute values are embodied in our Code of Conduct and require that every customer, employee, agent and member of the public be treated accordingly. The Company Code of Conduct applies to all employees, but the Company's senior financial officers are also subject to an additional code of ethics, reflecting the Company's commitment to maintaining the highest standards of ethical conduct.

• Stock ownership guidelines for senior executives and directors. Significant stock ownership requirements for our senior executives and directors strongly link the interests of management and the Board with those of stockholders.

• Prohibition on pledging and hedging of company stock by senior executives and directors. As noted below in "Compensation Discussion and Analysis-Executive Summary-Executive Compensation and Corporate Governance Framework," the Company's insider trading policy prohibits the Company's executive officers and directors from pledging the Company's securities or engaging in hedging or short-term speculative trading of the Company's securities, including, without limitation, short sales or put or call options involving the Company's securities.

• Stockholder engagement. The Company regularly engages with its stockholders to better understand their perspectives.

You can learn more about our corporate governance by visiting the "Investor Relations, Corporate Governance" portion of the Company's website, [www.westernunion.com](http://www.westernunion.com), or by writing to the attention of: Investor Relations, The Western Union Company, 12500 East Belford Avenue, Mailstop M23IR, Englewood, Colorado 80112.



Corporate Governance

Independence of Directors

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The Board of Directors has adopted Corporate Governance Guidelines, which contain the standards that the Board of Directors will use to determine whether a director is independent. A director is not independent under these categorical standards if:

• The director is, or has been within the last three years, an employee of Western Union, or an immediate family member of the director is, or has been within the last three years, an executive officer of Western Union.

• The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from Western Union, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

• (i) The director is a current partner or employee of a firm that is Western Union's internal or external auditor; (ii) the director has an immediate family member who is a current partner of such a firm; (iii) the director has an immediate family member who is a current employee of such a firm and personally works on Western Union's audit; or (iv) the director or an immediate family member was within the last three years a partner or employee of such firm and personally worked on Western Union's audit within that time.

• The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of Western Union's present executive officers at the same time serves or served on that company's compensation committee.

• The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, Western Union for property or services in an amount which, in any of the last three fiscal years, exceeded the greater of \$1 million or 2% of such other company's consolidated gross revenues.

• The director is a current employee, or an immediate family member is a current executive officer, of a company which was indebted to Western Union, or to which Western Union was indebted, where the total amount of either company's indebtedness to the other, in any of the last three fiscal years, exceeded 5% or more of such other company's total consolidated assets.

• The director or an immediate family member is a current officer, director, or trustee of a charitable organization where Western Union's (or an affiliated charitable foundation's) annual discretionary charitable contributions to the charitable organization, in any of the last three fiscal years, exceeded the greater of \$1 million or 5% of such charitable organization's consolidated gross revenues.

In determining the independence of the directors, the Board believes that the following relationships, considered individually, are immaterial for purposes of determining independence and will review all other relationships on a case by case basis to determine the independence of the director:

• Owning or holding Western Union Common Stock or options to acquire Western Union Common Stock in accordance with Western Union's equity compensation plans.

• Service as an officer or employee of Western Union or its subsidiaries that ended more than three years ago.

• Employment or affiliation with the auditor of Western Union by a director or immediate family member who personally worked on Western Union's audit that ended more than three years ago.

• Having a family member that is an employee of Western Union as long as such individual has not been an executive officer of Western Union within the last three years.

The Board has reviewed the independence of the current directors under these standards and the rules of the New York Stock Exchange and found Mr. Devitre, Mr. Goodman, Mr. Greenberg, Ms. Holden, Ms. Fayne Levinson, Mr. Mendoza, Mr. Miles, Mr. von Schimmelmman, and Mr. Trujillo to be independent.

## Corporate Governance

## Board Leadership Structure and Role in Risk Oversight

The Board has a non-executive Chairman. This position is independent from management. The Chairman sets the agendas for and presides over the Board meetings as well as meetings of the independent directors. The Chief Executive Officer is a member of the Board and participates in its meetings. The Board believes that this leadership structure is appropriate for the Company at this time because it allows for independent oversight of management, increases management accountability, and encourages an objective evaluation of management's performance relative to compensation.

The Board regularly devotes time during its meetings to review and discuss the most significant risks facing the Company, and management's process for identifying, prioritizing, and responding to those risks. During these discussions, the Chief Executive Officer, the General Counsel, and the Chief Financial Officer present management's process for assessment of risks, a description of the most significant risks facing the Company, and any mitigating factors, plans, or policies in place to address and monitor those risks. The Board has also delegated risk oversight authority to its committees.

Consistent with the New York Stock Exchange listing standards, to which the Company is subject, the Audit Committee bears responsibility for oversight of the Company's policies with respect to risk assessment and risk management and must discuss with management the major risk exposures facing the Company and the steps the Company has taken to monitor and control such exposures. The Audit Committee is also responsible for the oversight of the Company's compliance with legal and regulatory requirements, which represent many of the most significant risks the Company faces. During the Audit Committee's discussion of risk, the Company's Chief Executive Officer, General Counsel, Chief Financial Officer, Chief Compliance Officer, and Chief Internal Auditor present information and participate in discussions with the Audit Committee regarding risk and risk management.

While the Board committee with primary oversight of risk is the Audit Committee, the Board has delegated to other committees the oversight of risks within their areas of responsibility and expertise. For example, in light of the breadth and number of responsibilities that the Audit Committee must oversee, and the importance of the evaluation and management of risk related to the Company's compliance programs and policies associated with anti-money laundering laws, including investigations or other matters that may arise in relation to such laws, the Board delegated oversight of those risks to the Corporate Governance and Public Policy Committee, which reports regularly on these matters to the Board. During the Corporate Governance and Public Policy Committee's discussions of these matters, each of the General Counsel and Chief Compliance Officer regularly present to and participate in discussions with the Corporate Governance and Public Policy Committee. In addition, the Compensation and Benefits Committee of the Board of Directors oversees the risks associated with the Company's compensation practices, including an annual review of the Company's risk assessment of its compensation policies and practices for its employees and the Company's succession planning process.

Committees of the Board of Directors

The current members of each Board Committee are indicated in the table below.

| Director             | Audit | Corporate Governance & Public Policy | Compensation & Benefits |
|----------------------|-------|--------------------------------------|-------------------------|
| Dinyar S. Devitre    | X     | X                                    | (1)                     |
| Hikmet Ersek         |       |                                      |                         |
| Richard A. Goodman   | X     | (1)                                  | X                       |
| Jack M. Greenberg    |       |                                      |                         |
| Betsy D. Holden      |       | X                                    | X                       |
| Linda Fayne Levinson | X     | X                                    | (1)                     |
| Roberto G. Mendoza   | X     |                                      | X                       |

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|                       |   |   |   |
|-----------------------|---|---|---|
| Michael A. Miles, Jr. | X | X |   |
| Wulf von Schimmelmann |   | X | X |
| Solomon D. Trujillo   |   |   | X |

(1) Chairperson

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## Corporate Governance

### Board and Committee Governing Documents

Each committee operates under a charter approved by the Board. The Company's Audit Committee Charter, Compensation and Benefits Committee Charter, Corporate Governance and Public Policy Committee Charter, and Corporate Governance Guidelines are available without charge through the "Investor Relations, Corporate Governance" portion of the Company's website, [www.westernunion.com](http://www.westernunion.com), or by writing to the attention of: Investor Relations, The Western Union Company, 12500 East Belford Avenue, Mailstop M23IR, Englewood, Colorado 80112.

### Audit Committee

The Audit Committee consists of three or more directors, each of whom the Board has determined has no material relationship with the Company and is otherwise "independent" under the rules of the New York Stock Exchange. No director may serve as a member of the Audit Committee if such director serves on the audit committees of more than two other public companies unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Audit Committee. Currently, none of the Audit Committee members serve on more than three audit committees (including the Company's Audit Committee). All Audit Committee members must be financially literate, and at least one member must have accounting or related financial management expertise. The Board of Directors has determined that Mr. Devitre and Mr. Goodman are audit committee financial experts as defined by Item 407(d)(5) of Regulation S-K. The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to: (i) the integrity of the Company's consolidated financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent registered public accounting firm's qualifications and independence, and (iv) the performance of the Company's internal audit function and independent registered public accounting firm.

The Audit Committee has established a policy to pre-approve all audit and non-audit services provided by the independent registered public accounting firm. These services include audit services, audit-related services, tax services, and other services. Any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. Once pre-approved, the services and pre-approved amounts are monitored against actual charges incurred and any modifications, if appropriate, must be approved. During 2012, the Audit Committee met twelve times.

### Compensation and Benefits Committee

The Compensation and Benefits Committee (the "Compensation Committee") consists of two or more directors, each of whom the Board has determined has no material relationship with the Company and is otherwise independent under the rules of the New York Stock Exchange. Each member of the Compensation Committee also meets the definitions of "outside director" under Section 162(m) of the Internal Revenue Code and "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

Pursuant to its charter, the Compensation Committee has the authority to administer, interpret and, take any actions it deems appropriate in connection with any incentive compensation or equity based plans of the Company, any salary or other compensation plans for officers and other key employees of the Company, and any employee benefit or fringe benefit plans, programs, or policies of the Company. In addition to other duties which may be assigned by the Board, the Compensation Committee is responsible for (i) in consultation with senior management, establishing the Company's general compensation philosophy, and overseeing the development and implementation of compensation policies, including reviewing and approving incentive compensation and equity-based plans of the Company that are subject to Board approval and recommending to the Board compensation for non-executive directors, (ii) reviewing and approving corporate goals and objectives relevant to the compensation of the Chief Executive Officer and other executive officers, evaluating the performance of the Chief Executive Officer and other executive officers in light of those goals and objectives, and setting compensation levels for the Chief Executive Officer (with the ratification of the independent directors of the Board) and other executive officers based on this evaluation and such other factors as the Compensation Committee deems appropriate and in the best interests of the Company, (iii) to the extent permitted by law, establishing, overseeing, and delegating authority to employee committees with respect to employee compensation or benefit plans, except with respect to awards to anyone subject to Section 16 of the Securities Exchange Act of 1934, (iv) overseeing regulatory compliance with respect to compensation matters, (v) reviewing and

making recommendations to the Board regarding severance or similar termination agreements with the Company's Chief Executive Officer or a person being considered for promotion or hire as the Company's Chief Executive Officer which are outside of the scope of the Company's Executive Severance Policy and approving any such agreements with any other current or former executive officer of the Company which are outside the scope of such policy, (vi) approving grants and/or awards of options, restricted stock, restricted stock units, and other forms of equity-based compensation under the Company's equity-based plans, (vii) reviewing with management and preparing an annual report regarding the Company's

## Corporate Governance

Compensation Discussion and Analysis to be included in the Company's Proxy Statement and annual report, (viii) reporting activities of the Compensation Committee to the Board of Directors on a regular basis and reviewing issues with the Board as the Compensation Committee deems appropriate, (ix) preparing an annual performance evaluation of the Compensation Committee and periodically reviewing and assessing the adequacy of its charter, (x) in consultation with the Chief Executive Officer, reviewing management succession planning, and (xi) periodically reviewing the Company's overall organizational health by discussing the effectiveness of the Company's principal strategies related to human capital management, recruiting, retention, career development, and diversity.

The Compensation Committee delegates certain of its responsibilities to four sub-committees comprised of employees of the Company with appropriate technical expertise. The Compensation Committee maintains responsibility to monitor the sub-committees, including those with fiduciary responsibilities, such as investment and plan administration duties. The sub-committees report periodically to the Compensation Committee. The four sub-committees are:

Investment Council—responsible for investment and asset management of the Company's Retirement and funded Health and Welfare benefit programs.

Employee Benefits Committee—responsible for the administration, compliance, and operation of the Company's Retirement and Health and Welfare benefit programs and policies.

Plan Design Committee—responsible for all strictly non-fiduciary settlor capacity functions related to the Company's Retirement and Health and Welfare benefit programs and policies.

Equity Plan Committee—responsible for the administration, compliance, and operation of the Company's Global Equity programs and policies.

As noted above, the Compensation Committee consults with senior management in establishing the Company's general compensation philosophy. The Chief Executive Officer and the Executive Vice President and Chief Human Resources Officer work with the compensation consultant engaged by the Compensation Committee to develop executive compensation recommendations for the Compensation Committee.

The Compensation Committee regularly consults with outside compensation advisors in performing its duties. In 2008, the Compensation Committee retained Frederic W. Cook & Co., Inc. to assist with the Company's on-going compensation philosophy, to provide executive and director compensation consulting services, and to assist with other matters related to executive and director compensation. The Compensation Committee has the authority to retain and dismiss compensation consultants, as well as to establish the scope of the consultant's work. While the consultant reports to the Compensation Committee chair, the consultant works with the Company's human resources staff and executive management as approved by the Compensation Committee chair. The consultant does not discuss analysis or recommendations related to the compensation of the Company's Chief Executive Officer with the human resources staff or executive management.

The Compensation Committee, pursuant to its charter, regularly reviews and recommends to the Board of Directors compensation for the non-employee directors.

During 2012, the Compensation Committee met six times.

## Corporate Governance and Public Policy Committee

The Corporate Governance and Public Policy Committee consists of two or more directors who have no material relationship with the Company and are otherwise independent under the rules of the New York Stock Exchange. All of the members of the Corporate Governance and Public Policy Committee meet the independence standards set forth in the rules of the New York Stock Exchange. The Corporate Governance and Public Policy Committee is responsible for (i) recommending to the Board of Directors criteria for Board and committee membership, (ii) considering, in consultation with the Chairman of the Board and the Chief Executive Officer, and recruiting candidates to fill positions on the Board of Directors, (iii) evaluating current directors for re-nomination to the Board of Directors, (iv) recommending the director nominees for approval by the Board of Directors and the stockholders, (v) recommending to the Board of Directors appointments to committees of the Board of Directors, (vi) recommending to the Board of Directors corporate governance guidelines addressing, among other matters, the size, composition, and responsibilities of the Board of Directors and its committees, (vii) reviewing at least annually and recommending modifications to the

Board of Directors corporate governance guidelines, (viii) advising the Board of Directors with respect to the charters, structure, operations, and membership qualifications for the various committees of the Board of Directors, including policies for removal of members and rotation of members among other committees of the Board of Directors, (ix) overseeing the development and implementation of an orientation and continuing education program for directors, (x) establishing and implementing self-evaluation procedures for the Board of Directors and its committees, (xi) reviewing stockholder proposals submitted for inclusion

## Corporate Governance

in the Company's Proxy Statement, (xii) reviewing the Company's related persons transaction policy, and as necessary, reviewing specific related person transactions, (xiii) reviewing and advising the Board of Directors regarding matters of public policy and social responsibility which are relevant to the Company or the industries in which the Company operates, including without limitation trends, policies, and regulatory developments relating to immigration and charitable giving activities, and (xiv) reviewing the Company's compliance programs and policies relating to anti-money laundering laws, including investigations or other matters that may arise in relation to such laws and periodically reporting to the Board as to the status of and developments in this area.

During 2012, the Corporate Governance and Public Policy Committee met seven times.

### Chief Executive Officer Succession Planning

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The Company's Board of Directors has developed a governance framework for Chief Executive Officer succession planning that is intended to provide for a talent-rich leadership organization that can drive the Company's strategic objectives. Under its governance framework, the Board of Directors:

Reviews succession planning for the Chief Executive Officer on an annual basis. As part of this process, the Chief Executive Officer reviews the annual performance of each member of the management team with the Board and the Board engages in a discussion with the Chief Executive Officer and the Chief Human Resources Officer regarding each team member and the team member's development;

Maintains a confidential plan to address any unexpected short-term absence of the Chief Executive Officer and identifies candidates who could act as interim Chief Executive Officer in the event of any such unexpected absence; and

Ideally three to five years before the retirement of the current Chief Executive Officer, manages the succession process and determines the current Chief Executive Officer's role in that process.

### Communications with the Board of Directors

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Any stockholder or other interested party who desires to contact the non-management directors or the other members of the Company's Board of Directors may do so by writing to: The Western Union Company, Board of Directors, 12500 East Belford Avenue, Mailstop M21A2, Englewood, Colorado 80112. Communications that are intended specifically for non-management directors should be addressed to the attention of the Chairperson of the Corporate Governance and Public Policy Committee. All communications will be forwarded to the Chairperson of the Corporate Governance and Public Policy Committee unless the communication is specifically addressed to another member of the Board, in which case, the communication will be forwarded to that director.

### Board Attendance at Annual Stockholders' Meeting

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Although the Company does not have a formal policy regarding attendance by members of the Board of Directors at the Company's annual meeting of stockholders, it encourages directors to attend. All members of the Board of Directors attended the Company's 2012 Annual Meeting of Stockholders.

### Presiding Director of Non-Management Director Meetings

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The non-management directors meet in regularly scheduled executive sessions without management. The Chairman of the Board of Directors, Mr. Greenberg, is the presiding director at these meetings.

### Nomination of Directors

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The Company's Board of Directors is responsible for nominating directors for election by the stockholders and filling any vacancies on the Board that may occur. The Corporate Governance and Public Policy Committee is responsible for identifying, screening, and recommending candidates to the Board for Board membership. The Corporate Governance and Public Policy Committee does not have any single method for identifying director candidates but will consider candidates suggested by a wide range of sources, including by any stockholder, director, or officer of the Company.



## Corporate Governance

### Director Qualifications

General criteria for the nomination of director candidates include experience, high ethical standards and integrity, skills, diversity, ability to make independent analytical inquiries, understanding of the Company's business environment, and willingness to devote adequate time to Board duties—all in the context of an assessment of the perceived needs of the Board at that point in time. In exercising its director nomination responsibilities, the Corporate Governance and Public Policy Committee considers diversity in gender, ethnicity, background, and cultural viewpoints when considering director nominees, given the global nature of the Company's business. However, the Board has not adopted a formal policy governing director diversity. The effectiveness of the nomination process is evaluated by the Board each year as part of its annual self-evaluation and by the Corporate Governance and Public Policy Committee as it evaluates and identifies director candidates.

Each director is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as a Board or Committee member. The Corporate Governance and Public Policy Committee will consider candidates for election to the Board suggested in writing by a stockholder and will make a recommendation to the Board using the same criteria as it does in evaluating candidates submitted by members of the Board of Directors. If the Company receives such a suggestion, the Company may request additional information from the candidate to assist in its evaluation.

### Stockholder Nominees

Stockholders may submit nominations for director candidates by giving notice to the Secretary of the Company at 12500 East Belford Avenue, Mailstop M21A2, Englewood, Colorado 80112. The requirements for the submission of such stockholder nominations are set forth in Article II, Section 8 of the Company's By-Laws, which are available on the Company's website, [www.westernunion.com](http://www.westernunion.com).

### Submission of Stockholder Proposals

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Stockholder proposals requested to be included in the Company's Proxy Statement for its 2014 Annual Meeting of Stockholders pursuant to Exchange Act Rule 14a-8 must be received by the Company not later than December 18, 2013. Even if a proposal is not submitted in time to be considered for inclusion in the Company's Proxy Statement for its 2014 Annual Meeting of Stockholders, a proper stockholder proposal or director nomination may still be considered at the Company's 2014 Annual Meeting of Stockholders, but only if the proposal or nomination is received by the Company no sooner than January 30, 2014 and no later than March 1, 2014 and otherwise complies with the Company's By-Laws. All proposals or nominations a stockholder wishes to submit at the meeting should be directed to Corporate Secretary, The Western Union Company, 12500 East Belford Avenue, Mailstop M21A2, Englewood, Colorado 80112.

### Code of Ethics

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The Company's Director's Code of Conduct, Code of Ethics for Senior Financial Officers, Reporting Procedure for Accounting and Auditing Concerns, Professional Conduct Policy for Attorneys, and the Code of Conduct are available without charge through the "Investor Relations, Corporate Governance" portion of the Company's website, [www.westernunion.com](http://www.westernunion.com), or by writing to the attention of: Investor Relations, The Western Union Company, 12500 East Belford Avenue, Mailstop M23IR, Englewood, Colorado 80112. In the event of an amendment to, or a waiver from, the Company's Code of Ethics for Senior Financial Officers, the Company intends to post such information on its website, [www.westernunion.com](http://www.westernunion.com).

## Compensation of Directors

## COMPENSATION OF DIRECTORS

The following table provides information regarding the compensation of our outside directors for 2012. Hikmet Ersek, our President and Chief Executive Officer, does not receive additional compensation for his service as a director.

## 2012 DIRECTOR COMPENSATION

| Name                  | Fees Earned or Paid in Cash (\$000) (1) | Stock Awards (\$000) (2) | Option Awards (\$000) (3) | All Other Compensation (\$000) (4) | Total (\$000) (5) |
|-----------------------|---|--------------------------|---------------------------|------------------------------------|-------------------|
| Jack M. Greenberg     | 125.0                                   | 175.0                    | 175.0                     | 26.8                               | 501.8             |
| Dinyar S. Devitre     | 110.0                                   | —                        | 130.0                     | 25.3                               | 265.3             |
| Richard A. Goodman    | 104.1                                   | 130.0                    | —                         | 21.5                               | 255.6             |
| Betsy D. Holden       | 106.0                                   | 130.0                    | —                         | 17.1                               | 253.1             |
| Linda Fayne Levinson  | 120.0                                   | 65.0                     | 65.0                      | 0.1                                | 250.1             |
| Roberto G. Mendoza    | 95.0                                    | 65.0                     | 65.0                      | 0.4                                | 225.4             |
| Michael A. Miles, Jr. | 95.0                                    | 130.0                    | —                         | 1.5                                | 226.5             |
| Dennis Stevenson (6)  | —                                       | 86.3                     | 128.7                     | —                                  | 215.0             |
| Wulf von Schimmelmann | 85.0                                    | 130.0                    | —                         | 1.5                                | 216.5             |
| Solomon D. Trujillo   | 38.1                                    | 58.6                     | —                         | 1.4                                | 98.1              |

## Footnotes:

(1) Ms. Fayne Levinson and Mr. Miles elected to receive their annual retainer fees for 2012 in the form of equity compensation as described below under “Equity Compensation.” Because Mr. Stevenson, a non-United States resident director, was required in 2012 to receive his annual retainer fee in the form of equity rather than cash, the annual retainer fee for Mr. Stevenson is reported in Stock Awards and Option Awards columns.

(2) The amounts in this column represent the value of bonus stock units granted to each director as annual equity grants as well as the portion of the annual retainer fee for 2012 received by Mr. Stevenson in the form of stock awards. Stock awards consist of fully vested bonus stock units that are settled in shares of Common Stock and may be subject to a deferral election consistent with Internal Revenue Code Section 409A. The amounts shown in this column are valued based on the aggregate grant date fair value computed in accordance Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation (“FASB ASC Topic 718”). See Note 16 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012 for a discussion of the relevant assumptions used in calculating these amounts.

(3) The amounts in this column represent the value of options granted by Western Union as annual equity grants as well as the portion of the annual retainer fee for 2012 received by Mr. Stevenson in the form of option awards. The amounts shown in this column are valued based on the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. See Note 16 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012 for a discussion of the relevant assumptions used in calculating these amounts.

(4) All Other Compensation includes matches under the Company’s gift matching program that the Company made in 2012. Outside directors are eligible to participate in the Company’s gift matching program on the same terms as Western Union’s executive officers and employees. As noted below, contributions made or directed to be made to an eligible organization, up to an aggregate amount of \$25,000 per calendar year, will be matched by the Company. Matching contributions to various charities were made on behalf of the following directors: Mr. Greenberg—\$25,000; Mr. Devitre—\$25,250; Mr. Goodman—\$20,000; Ms. Holden—\$17,000; and Mr. Mendoza—\$250. The charitable contributions match amount reported for Mr. Devitre represent matches made by the Company in 2012 with respect to charitable contributions made by Mr. Devitre in 2012 and 2011. The remainder of the amount included in All Other Compensation represents travel and entertainment costs for directors’ spouses incurred in connection with Board of Directors-related events.





## Compensation of Directors

(5) As of December 31, 2012, each individual who served as an outside director during 2012 had outstanding the following number of stock units and options:

| Name                  | Stock Units | Options | (A) |
|-----------------------|-------------|---------|-----|
| Jack M. Greenberg     | 10,965      | 458,457 | (A) |
| Dinyar S. Devitre     | 21,365      | 108,315 |     |
| Richard A. Goodman    | 7,271       | —       |     |
| Betsy D. Holden       | 35,192      | 53,980  |     |
| Linda Fayne Levinson  | 28,403      | 143,253 |     |
| Roberto G. Mendoza    | 25,889      | 115,195 |     |
| Michael A. Miles, Jr. | 55,028      | 53,980  |     |
| Dennis Stevenson      | 27,410      | 133,069 |     |
| Wulf von Schimmelmann | 23,432      | 26,789  |     |
| Solomon D. Trujillo   | 3,497       | —       |     |

(A) Includes 217,845 options received pursuant to a conversion of First Data option awards to Western Union option awards.

(6) Effective May 23, 2012, Dennis Stevenson ceased serving as a director of the Company.

## Cash Compensation

In 2012, each outside director (other than our Non-Executive Chairman) received the following cash compensation for service on our Board and committees of our Board:

- an annual Board retainer fee of \$85,000;

- an annual committee chair retainer fee of \$15,000 for the chairperson of the Corporate Governance and Public Policy Committee of our Board; and

- an annual committee chair retainer fee of \$25,000 for the chairperson of each of the Audit Committee and the Compensation Committee of our Board, and a \$10,000 committee member retainer fee for each other member of the Audit Committee of our Board.

Effective January 1, 2013, the committee chair annual retainer fee for the Corporate Governance and Public Policy Committee of our Board was increased to \$25,000.

## Equity Compensation

The 2012 outside director equity awards were granted pursuant to our 2006 Non-Employee Director Equity Compensation Plan and The Western Union Company 2006 Long-Term Incentive Plan. All stock units will be settled in shares of Common Stock and may be subject to a deferral election consistent with Internal Revenue Code Section 409A. The purpose of these awards is to advance the interest of Western Union and its stockholders by encouraging increased stock ownership by our outside directors and by helping the Company attract, motivate, and retain highly qualified outside directors.

Each outside director, except for our non-United States resident director, has the option of electing to receive such director's annual retainer fees described above in the form of (a) all cash, (b) all fully vested stock options, (c) all fully vested stock units, (d) a combination of 75% fully vested stock options and 25% fully vested stock units, (e) a combination of 50% fully vested stock options and 50% fully vested stock units, or (f) a combination of 75% fully vested stock units and 25% fully vested stock options. Each outside director may also elect to receive such director's annual equity grant in the form of any of the above alternatives, other than all cash.

Each outside director (other than our Non-Executive Chairman) is eligible to receive an annual equity grant with a value of \$130,000 for service on our Board and committees of our Board.

## Compensation of Our Non-Executive Chairman

Our Non-Executive Chairman receives the following compensation in lieu of the compensation described above for our other outside directors:



## Compensation of Directors

- an annual retainer fee of \$125,000; and
- an annual equity grant with a value of \$350,000.

Our Non-Executive Chairman has the option to receive his annual retainer fee in the forms discussed above under “-Equity Compensation.”

### Charitable Contributions

Outside directors may participate in the Company’s gift matching program on the same terms as Western Union’s executive officers and employees. Under this program, contributions up to \$100,000 per calendar year that the director makes to the Western Union Foundation (the “Foundation”) without designating a recipient organization will be matched by the Company \$2 for every \$1 contributed. Contributions made or directed to be made to an eligible organization, as defined in the program, up to an aggregate amount of \$25,000 per calendar year will be equally matched by the Company through the Foundation.

### Reimbursements

Directors are reimbursed for their expenses incurred in attending Board, committee and stockholder meetings, including those for travel, meals, and lodging.

### Indemnification Agreements

Each member of the Board of Directors has entered into a Director Indemnification Agreement with the Company to clarify indemnification procedures. Consistent with the indemnification rights already provided to directors of the Company in the Company’s Amended and Restated Certificate of Incorporation, each agreement provides that the Company will indemnify and hold harmless each outside director to the fullest extent permitted or authorized by the General Corporation Law of the State of Delaware in effect on the date of the agreement or as such laws may be amended or replaced to increase the extent to which a corporation may indemnify its directors.

### Equity Ownership Guidelines

Each outside director is expected to maintain an equity investment in Western Union equal to five times the annual cash retainer, which must be achieved within five years of the director’s initial election to the Board. The holdings that may be counted toward achieving the equity investment guidelines include outstanding stock awards or units, shares obtained through stock option exercise, shares owned jointly with or separately by the director’s spouse, shares purchased on the open market and outstanding stock options received in lieu of cash retainer fees.

Report of the Audit Committee

REPORT OF THE AUDIT COMMITTEE

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The Audit Committee of the Board of Directors of the Company oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the consolidated financial statements and the reporting process, including the systems of internal controls. The Company's independent registered public accounting firm is responsible for auditing those consolidated financial statements and expressing an opinion as to whether they present fairly, in all material respects, the Company's consolidated financial position, results of operations, and cash flows in conformity with United States generally accepted accounting principles.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited consolidated financial statements of the Company set forth in the Company's 2012 Annual Report to Stockholders and the Company's Annual Report on Form 10-K for the year ended December 31, 2012 with management of the Company. The Audit Committee also discussed with Ernst & Young LLP, independent registered public accounting firm for the Company, the matters required to be discussed under Statement on Auditing Standards No. 61, "Communication with Audit Committees," as amended and as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Statement on Auditing Standards No. 61 communications include, among other items, matters relating to the conduct of an audit of the Company's consolidated financial statements under the standards of the Public Company Accounting Oversight Board (United States).

The Audit Committee has received the written disclosures from Ernst & Young LLP required by the Public Company Accounting Oversight Board Ethics and Independence Rule 3526, "Communication with Audit Committees Concerning Independence," regarding Ernst & Young LLP's independence, has considered the compatibility of non-audit services with the auditors' independence, and has discussed with Ernst & Young LLP their independence from the Company.

In reliance on the review and discussions described above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 for filing with the Securities and Exchange Commission.

Audit Committee

Richard A. Goodman (Chairperson)

Dinyar S. Devitre

Linda Fayne Levinson

Roberto G. Mendoza

Michael A. Miles, Jr.

Compensation and Benefits Committee Report

COMPENSATION AND BENEFITS COMMITTEE REPORT

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The Compensation and Benefits Committee has reviewed and discussed the Company's Compensation Discussion and Analysis with management and, based on such review and discussion, the Compensation and Benefits Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Proxy Statement and its Annual Report on Form 10-K.

Compensation and Benefits Committee

Betsy D. Holden (Chairperson)

Richard A. Goodman

Roberto G. Mendoza

Wulf von Schimmelmann

Solomon D. Trujillo

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Compensation Discussion and Analysis

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

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The Western Union Company provides people and businesses with fast, reliable, and convenient ways to send money and make payments around the world. Western Union is unique in offering a regulated financial service in nearly every country in the world. Our business is complex, our regulatory environment is disparate and developing, our consumers are different from those addressed by traditional financial services firms, and our agent and client relationships are numerous and varied. Managing these complexities has been at the center of Western Union's success, and our leadership must be capable of supporting our Company's goals amid this complexity.

Business Performance

In 2012, the Company delivered:

- Revenue of \$5.7 billion, up 3% from 2011;
- Operating income of \$1.3 billion, down 4% from 2011;
- Operating income margin of 23.5%; and
- Cash flow from operations of \$1.2 billion.

Executive Compensation Corporate Governance Framework

The Compensation and Benefits Committee of the Board of Directors (the "Compensation Committee" or "committee") engages in an ongoing review of the Company's executive compensation and benefits programs to ensure that they support the Company's compensation philosophy and objectives, as described in "-Establishing and Evaluating Executive Compensation-Our Executive Compensation Philosophy and Objectives" below, and ultimately serve the interests of our stockholders. The Company's practices include the following, each of which reinforces our executive compensation philosophy and objectives:

**Long-Term Incentive Awards Closely Linked to Performance Objectives:** Since 2009, the vesting of an increasing percentage of long-term incentive awards has been tied to the Company's strategic and financial performance. The committee intends that the annual long-term incentive awards granted to those serving in the position of Chief Executive Officer or Executive Vice President, at the time of grant, be at-risk, performance-based equity compensation in the form of performance-based restricted stock units and stock options, which have value to an award recipient only if certain performance goals are achieved or our stock price appreciates. To further align the interests of the named executive officers with the Company's stockholders, in February 2012, the committee implemented payout modifiers which limit the percentage of the 2012 performance-based restricted stock unit awards that may vest based on the Company's total stockholder return ("TSR") performance relative to the TSR performance of the S&P 500 Index and the Company's stock price performance over a three-year performance period.

**Emphasis on Future Pay Opportunity Versus Current Pay:** The Compensation Committee seeks to provide an appropriate mix of compensation elements, including finding a balance among current versus long-term compensation and cash versus equity-based compensation. The committee believes that equity-based compensation aligns the interests of our named executive officers with those of our stockholders and encourages our named executive officers to continue to deliver results over a longer period of time. The committee believes that the compensation awarded to our named executive officers should be more at-risk by being based on the Company's financial and stock price performance. Accordingly, in 2012, all of the long-term incentive awards delivered to our named executive officers were in the form of equity-based compensation.

**Executive Severance Policy:** In the event of a change-in-control, severance benefits are generally payable only upon a "double trigger" and change-in-control tax gross-up payments are prohibited for individuals promoted or hired as executive officers after April 2009.

**"Clawback" Policy:** The Company may recover incentive compensation paid to an executive officer that was calculated based upon any financial result or performance metric impacted by fraud or misconduct of the executive officer.





## Compensation Discussion and Analysis

**Stock Ownership Requirements:** Our stock ownership guidelines require our Chief Executive Officer to own Western Union stock equal in value to five times his base salary and each of the other executive officers to own stock equal in value to two times his or her respective base salary. Our executive officers are required to retain, until the Company's required ownership levels have been achieved, at least 50% of the after-tax shares acquired upon the vesting of restricted stock units and at least 50% of the shares acquired upon exercise of stock options after the payment of the exercise price, broker fees, and related tax withholding obligations. We also have stock ownership requirements for our directors, as discussed in the "Compensation of Directors-2012 Director Compensation-Equity Ownership Guidelines" above.

**Prohibition on Pledging and Hedging of the Company's Securities:** The Company's insider trading policy prohibits the Company's executive officers and directors from pledging the Company's securities or engaging in hedging or short-term speculative trading of the Company's securities, including, without limitation, short sales or put or call options involving the Company's securities.

### 2012 Say On Pay Vote

As noted above, in its compensation review process, the committee considers whether the Company's executive compensation and benefits program serves the best interests of the Company's stockholders. In that respect, as part of its on-going review of the Company's executive compensation program, the Compensation Committee considered the approval by approximately 98% of the votes cast for the Company's "say on pay" vote at the Company's 2012 Annual Meeting of Stockholders and determined that the Company's executive compensation philosophy, compensation objectives, and compensation elements continued to be appropriate and did not make any specific changes to the Company's executive compensation program in response to the 2012 "say on pay" vote.

### Pay-For-Performance

The principal components of the 2012 executive compensation program were annual base salary, annual incentives and long-term incentive awards in the form of stock options and performance-based restricted stock units. The Compensation Committee designed the 2012 executive compensation program so that performance-based pay elements (annual incentive awards, stock options, and performance-based restricted stock units) constitute a significant portion of the executive compensation awarded, determined at target levels. The following charts demonstrate that these variable pay elements comprised at least 88% of the targeted annual compensation for the Chief Executive Officer and, on average, 77% of the targeted annual compensation for the other named executive officers serving as of February 2013. For purposes of these charts, the percentage of targeted annual compensation was determined based on the annual base salary and target incentive opportunities applicable to the named executive officer as of December 31, 2012.

## Compensation Discussion and Analysis

Given that a significant portion of the compensation of our named executive officers is both performance-based and “at risk,” we are providing the following supplemental table to demonstrate the difference between the compensation granted to our named executive officers serving as of December 31, 2012, as compared to the compensation “realizable” by such named executive officers for the 2010 to 2012 fiscal years. While the manner for reporting equity compensation as “realizable” compensation differs from the SEC rules relating to the reporting of compensation in the 2012 Summary Compensation Table, we believe that this table is a useful supplement to the 2012 Summary Compensation Table. The 2012 Realizable Compensation Table and the total realizable compensation reported in the table provides supplemental information regarding the compensation paid to the named executive officers and should not be viewed as a substitute for the 2012 Summary Compensation Table.

## 2012 Realizable Compensation Table

| Name               | Year | Proxy Reported Compensation (\$000) (1) | Total Realizable Compensation (\$000) (2) | Realizable as a % of Reported |
|--------------------|------|---|---|-------------------------------|
| Hikmet Ersek       | 2012 | 6,992.2                                 | 2,172.3                                   | 31%                           |
|                    | 2011 | 7,872.4                                 | 4,405.8                                   | 56%                           |
|                    | 2010 | 7,862.8                                 | 5,664.6                                   | 72%                           |
| Scott T. Scheirman | 2012 | 2,463.2                                 | 1,057.4                                   | 43%                           |
|                    | 2011 | 3,130.8                                 | 1,965.4                                   | 63%                           |
|                    | 2010 | 2,147.4                                 | 1,868.3                                   | 87%                           |
| J. David Thompson  | 2012 | 3,426.5                                 | 2,358.7                                   | 69%                           |
|                    | 2011 | N/A                                     | N/A                                       | N/A                           |
|                    | 2010 | N/A                                     | N/A                                       | N/A                           |
| Rajesh K. Agrawal  | 2012 | 2,706.2                                 | 1,661.9                                   | 61%                           |
|                    | 2011 | 1,667.8                                 | 1,339.9                                   | 80%                           |
|                    | 2010 | N/A                                     | N/A                                       | N/A                           |
| John R. Dye        | 2012 | 2,320.8                                 | 1,718.3                                   | 74%                           |
|                    | 2011 | N/A                                     | N/A                                       | N/A                           |
|                    | 2010 | N/A                                     | N/A                                       | N/A                           |

## Footnotes:

(1) As reported in the Total column of the 2012 Summary Compensation Table.

Amounts reported in the calculation of total realizable compensation include (a) annualized base salary, (b) actual bonus payments and performance-based cash award payments made to each eligible executive in each of the years shown under the Company’s non-equity incentive plans, (c) the value realized from the exercise of stock options and for unexercised stock options, the difference between the exercise price and the closing stock price on

(2) December 31, 2012, each reported in the year granted, (d) the value realized upon vesting of restricted stock units or performance-based restricted stock units and the value of unvested restricted stock units or performance-based restricted stock units based on the closing stock price on December 31, 2012 (including payment of dividend equivalents if applicable), each reported in the year granted, and (e) amounts reported in the All Other Compensation Table for the respective years.

## Other Corporate Governance Practices

The Board of Directors believes that strong corporate governance is key to long-term stockholder value creation. Please see “Corporate Governance-Summary of Corporate Governance Practices” above for a summary of the Company’s corporate governance practices.

## ESTABLISHING AND EVALUATING EXECUTIVE COMPENSATION

## Overview

This Compensation Discussion and Analysis describes the manner in which executive compensation decisions are made, the elements of our compensation program, and the compensation of each of our named executive officers. The

information provided in this Compensation Discussion and Analysis should be read together with the information presented in the “Executive Compensation” section of this Proxy Statement.

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Compensation Discussion and Analysis

In this Compensation Discussion and Analysis, we discuss the philosophy and objectives of our executive compensation program and how we compensated each of our named executive officers. For 2012, the named executive officers consisted of our Chief Executive Officer, Chief Financial Officer, our three other most highly compensated executive officers serving as executive officers at the end of 2012, and one former executive officer who left the Company during 2012 and who would have been among the three other most highly compensated executive officers if he remained as an employee of the Company at the end of 2012. For 2012, the named executive officers were:

• Hikmet Ersek, President and Chief Executive Officer (September 2010 to present)

• Scott T. Scheirman, Executive Vice President, Chief Financial Officer (September 2006 to present) and Global Operations (January 2012 to November 2012)

• J. David Thompson, Executive Vice President, Global Operations (November 2012 to present) and Chief Information Officer (April 2012 to present)

• Rajesh K. Agrawal, Executive Vice President (November 2011 to present) and President, Western Union Business Solutions (August 2011 to present)

• John R. Dye, Executive Vice President, General Counsel and Secretary (November 2011 to present)

• Stewart A. Stockdale, Former Executive Vice President and President, Global Consumer Financial Services (April 2011 to October 2012)

Our Executive Compensation Philosophy and Objectives

The committee believes the Company’s executive compensation program should reward actions and behaviors that build a foundation for the long-term strength and performance of the Company while also rewarding the achievement of short-term performance goals. Consistent with this philosophy, the following objectives provide a framework for the Company’s 2012 executive compensation program:

• Hold our executives accountable and reward them for results;

• Align our executives’ goals with our stockholders’ interests; and

• Attract, retain, and motivate outstanding executive talent around the world, suited to the Company’s unique nature and structure.

Elements of 2012 Executive Compensation Program

The following table lists the material elements of the Company’s 2012 executive compensation program. The committee believes that the design of the Company’s executive compensation program balances fixed and variable compensation elements, provides alignment with the Company’s short and long-term financial and strategic priorities through the annual and long-term incentive programs, and provides stockholder value creation through the use of payout modifiers which limit the percentage of performance-based restricted stock units which may vest based on the Company’s relative TSR and stock price performance. Our incentives are designed to drive overall corporate performance and individual performance, with compensation payouts varying from target based on actual performance against pre-established and communicated performance objectives.

| Fixed or Variable | Element     | Key Characteristics  | Why We Pay This Element   | How We Determine Amount   | 2012 Decisions   |
|-------------------|-------------|--|---|---|--|
| Fixed             | Base salary | Fixed compensation component payable in cash. Reviewed annually and adjusted when appropriate. | Establish a pay foundation at competitive levels to attract and retain talented executives. | Experience, job scope, responsibilities, market data, and individual performance. | Two of our six named executives received a salary increase in 2012. See page 31. |

Compensation Discussion and Analysis

| Fixed or Variable | Element   | Key Characteristics   | Why We Pay This Element  | How We Determine Amount  | 2012 Decisions  |
|-------------------|---|---|--|--|---|
| Variable          | Annual incentive awards   | Variable compensation component payable in cash based on performance against annually established performance objectives.   | Motivate and reward executives for performance on key objectives over the year.  | Company performance on two strategic objectives:<br>-New Revenue Realized relating to Global Consumer Financial Services, Business-to-Business, and westernunion.com.<br>-Development Implementation of Global Customer Database.  | Based on performance relative to the Annual Incentive Plan financial and strategic performance objectives, the committee certified a payout amount of 24% of target for each named executive officer other than Mr. Ersek. Pursuant to the committee's exercise of negative discretion, Mr. Ersek did not receive a 2012 Annual Incentive Plan award payout. See pages 31-33. |
| Variable          | Performance-Based Restricted Stock Units (excluding Mr. Thompson's new hire equity grant) | Performance-based restricted stock units vest over three-year performance period based on the Company's achievement of financial performance and strategic objectives. Also subject to payout modifiers which limit the percentage of awards that may vest based on Company's TSR performance compared to the S&P 500 Index and stock price | Coupled with stock options, aligns the interests of executives with those of our stockholders by focusing the executives on long-term objectives over a multi-year period. | Company performance on three financial and strategic measures over 2012-2013 performance period:<br>-Revenue Growth<br>-Earnings Before Interest, Taxes, Depreciation, and Amortization Growth<br>-Registered Customer Growth.<br><br>Maximum payout capped at 200% of target opportunity if Company's three-year TSR performance does not at least meet the TSR performance of the S&P 500 Index. | Beginning with the annual 2012 awards, implemented payout modifiers to limit the number of restricted stock units that vest based on Company's TSR and stock price performance over the performance period. See pages 33-34.  |

performance.

Maximum payout capped at 150% of target opportunity if stock price on December 31, 2014 is less than the stock price on December 30, 2011.

|          |               |   |   |   |  |
|----------|---------------|---|---|---|--|
| Variable | Stock Options | Nonqualified stock options that expire ten years after grant and become exercisable in 25% annual increments over a four-year vesting period. | Coupled with performance-based restricted stock units, aligns the interests of executives with those of our stockholders by focusing the executives on long-term objectives over a multi-year period. | Market practice and individual performance. | Similar to the 2011 long-term incentive program, stock options represent 33% of the long-term grant, reflecting the Company's emphasis on tying long-term incentive awards to the Company's strategic and financial performance. See page 33-34. |
|----------|---------------|---|---|---|--|

## Compensation Discussion and Analysis

### The Board of Directors and the Compensation Committee

The Board of Directors oversees the goals and objectives of the Company and of the Chief Executive Officer, evaluates succession planning with respect to the Chief Executive Officer and evaluates the Chief Executive Officer's performance. The Compensation Committee supports the Board by establishing the Company's general compensation philosophies and overseeing the development and implementation of the Company's compensation and benefits policies. The Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer and other executive officers, sets the compensation levels of each of the Executive Vice Presidents and approves the compensation of the Chief Executive Officer, with the ratification of the independent directors of the Board. The Compensation Committee's responsibilities under its charter are further described in the "Corporate Governance" section of this Proxy Statement. While not members of the Compensation Committee, the Chairman of the Board and the Chief Executive Officer attended all meetings of the Compensation Committee in 2012 to contribute to and understand the committee's oversight of and decisions relating to executive compensation. The Chief Executive Officer did not attend portions of the meetings relating to his compensation. The committee also engages in an ongoing dialog with the Chief Executive Officer and the Compensation Committee's compensation consultant in the evaluation and establishment of the elements of our executive compensation program to ensure that they support the Company's executive compensation philosophy and objectives. The committee also received input from the Senior Vice President, Talent Management and Total Rewards, in making executive compensation decisions.

### The Independent Compensation Consultant

Frederic W. Cook & Co., Inc. (the "Compensation Consultant") provides executive and director compensation consulting services to the Compensation Committee. The Compensation Consultant is retained by and reports to the Compensation Committee and participates in the committee meetings. The Compensation Consultant informs the committee on market trends, as well as regulatory issues and developments and how they may impact the Company's executive compensation programs. The Compensation Consultant also:

- Participates in the design of executive compensation programs to help the committee evaluate the linkage between pay and performance;
- Reviews market data and advises the committee on recommending the Chief Executive Officer's compensation levels to the Board;
- Reviews and advises the committee regarding the compensation of the other executive officers;
- Reviews and advises the committee regarding director compensation; and
- Performs an annual risk assessment of the Company's compensation programs, as described in the "Executive Compensation-Risk Management and Compensation" section of this Proxy Statement.

The Compensation Consultant does not provide any other services to the Company. The Compensation Committee has assessed the independence of the Compensation Consultant pursuant to the NYSE rules and the Company concluded that the Compensation Consultant's work for the Compensation Committee did not raise any conflict of interest.

### Setting 2012 Compensation

In late 2011, the Compensation Committee, working with the Compensation Consultant and the Chief Executive Officer, engaged in a detailed review of the Company's executive compensation programs to ensure that the design and levels of each compensation element were:

- Appropriate to support the Company's strategic performance objectives;
- Consistent with the philosophy and objectives described under "-Establishing and Evaluating Executive Compensation-Our Executive Compensation Philosophy and Objectives" above; and
- Reasonable when compared to market pay practices (see "-Market Comparison" below).

In early 2012, Mr. Ersek presented to the Compensation Committee his evaluation of each of the then serving Executive Vice Presidents and the level of his or her salary, annual bonus targets under the Senior Executive Annual Incentive Plan (the "Annual Incentive Plan"), and long-term incentive award targets under The Western Union Company 2006 Long-Term Incentive Plan (the "Long-Term Incentive Plan"). Mr. Ersek's assessments were based upon each executive's performance and relative contributions to the Company's success, the performance of the executive's

respective business unit or functional area, and

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## Compensation Discussion and Analysis

employee retention considerations. In his evaluations, Mr. Ersek also reviewed with the committee tally sheets which presented comprehensive historical and current compensation data for each of the Company's executives. Please see "--Use of Tally Sheets" below for a description of this tool. The Compensation Consultant participated in the committee meetings to provide peer group and market data regarding executive compensation. Please see "--Market Comparison" for a discussion of the use of peer group and market data.

In early 2012, Mr. Ersek also submitted a self-evaluation to the Compensation Committee. The committee shared Mr. Ersek's goals for the year and his self-evaluation with the independent members of the Board of Directors, who then evaluated Mr. Ersek's performance in 2011 based on his actual performance versus such goals. In setting Mr. Ersek's compensation, the committee considered this evaluation, peer group data regarding chief executive officer compensation levels provided by the Compensation Consultant, and a tally sheet of Mr. Ersek's historical and current compensation data. No member of management, including Mr. Ersek, made any recommendations regarding Mr. Ersek's compensation or participated in the portions of the Compensation Committee meeting or in the meeting of the independent directors of the Board during which Mr. Ersek's compensation was determined and ratified.

### Market Comparison

For 2012, the Compensation Committee considered market pay practices when setting executive compensation, but did not target the specific compensation elements or total compensation against the market data. Instead, the committee utilized market data to assess the overall competitiveness and reasonableness of the Company's executive compensation program. Market pay practices are based on peer group proxy data and compensation survey data. While the Compensation Committee considers relevant market pay practices when setting executive compensation, the Compensation Committee does not believe that it is appropriate to establish compensation levels based only on market practices. The Compensation Committee believes that compensation decisions are complex and require a deliberate review of Company performance and peer compensation levels. The factors that influence the amount of compensation awarded include market competition for a particular position, an individual's experience and past performance inside or outside the Company, compensation history, role and responsibilities within the Company, tenure with the Company and associated institutional knowledge, long-term potential with the Company, contributions derived from creative and innovative thinking and leadership, money transfer or financial services industry expertise, past and future performance objectives and value of the position within the Company. For example, in setting Mr. Thompson's initial compensation levels, the Compensation Committee considered market data as well as the Company's strategic objectives of further investing in the Company's information technology capabilities. Accordingly, the committee assigned a significant value to the position for which Mr. Thompson was being hired and less value to its review of market data.

The Compensation Committee believes that the Company's peer group should reflect the markets in which the Company competes for business, executive talent and capital. In 2011, as part of its ongoing review of the Company's executive compensation program, the Compensation Committee instructed the Compensation Consultant to re-evaluate the Company's historical peer group. Based on this review, the Compensation Consultant recommended a revised peer group to (i) address the financial size discrepancy between the Company and its peer companies, (ii) shift the peer group focus from physical to electronic or virtual goods and services, (iii) emphasize the payment processing industry, and (iv) be more consistent with how external organizations and equity analysts view the Company and the peers against which it competes. Accordingly, in September 2011, the committee revised the Company's historical peer group to include companies meeting either of the following criteria:

- global brands providing virtual products or services; or
- companies involved with payment and processing services.

Based on the September 2011 peer group review, the committee approved the deletion from the Company's historical peer group of Avon Products, Bank of NY Mellon, Equifax, Paychex, Starbucks and YUM! Brands and the addition to the Company's peer group of CME Group, Discover Financial Services, Fidelity National Info Services, Global Payments, Intuit, NASDAQ OMX, and Total Systems Services.

The peer group used for evaluating 2012 compensation decisions consisted of the companies set forth below. The Compensation Consultant compiled compensation information from the peer group based on the publicly filed documents of each member of the peer group. Because the publicly filed documents generally reflected 2010

compensation data, the Compensation Consultant applied a 3% assumed growth rate to the cash compensation levels, with such growth rate determined based on projected 2011-2012 market changes.

## Compensation Discussion and Analysis

|                                 | 2011<br>Revenues<br>(in Millions) | 2011<br>Operating<br>Income<br>(in Millions) | Employees<br>(as of 12/31/11) | Market<br>Capitalization<br>(in Millions)<br>(as of 12/31/11) |
|---------------------------------|-----------------------------------|--|-------------------------------|---|
| ADP                             | \$10,350                          | \$1,880                                      | 51,000                        | \$26,395  |
| Ameriprise Financial            | \$10,239                          | \$1,797                                      | 11,139                        | \$11,277  |
| Charles Schwab                  | \$4,884                           | \$1,529                                      | 14,100                        | \$14,300  |
| CME Group                       | \$3,308                           | \$2,077                                      | 2,740                         | \$16,177  |
| Comerica                        | \$2,601                           | \$1,082                                      | 9,397                         | \$5,132   |
| Discover Financial Services     | \$8,543                           | \$4,002                                      | 11,650                        | \$13,191  |
| eBay                            | \$11,652                          | \$2,431                                      | 27,770                        | \$39,154  |
| Fidelity National Info Services | \$5,687                           | \$1,096                                      | 33,000                        | \$7,963   |
| Fiserv                          | \$4,337                           | \$1,013                                      | 20,000                        | \$8,274   |
| Global Payments                 | \$2,049                           | \$381  | 3,753                         | \$3,731   |
| Intuit                          | \$3,913                           | \$1,047                                      | 8,000                         | \$15,704  |
| MasterCard                      | \$6,714                           | \$3,485                                      | 6,700                         | \$47,322  |
| MoneyGram                       | \$1,248                           | \$164  | 2,136                         | \$1,018   |
| NASDAQ OMX                      | \$3,438                           | \$769  | 2,433                         | \$4,343   |
| Northern Trust                  | \$4,169                           | \$1,902                                      | 14,100                        | \$9,558   |
| State Street                    | \$10,207                          | \$4,751                                      | 29,740                        | \$19,876  |
| Total Systems Services          | \$1,809                           | \$323  | 8,200                         | \$3,939   |
| Visa                            | \$9,497                           | \$5,715                                      | 7,500                         | \$69,709  |
| 75th Percentile                 | \$8,543                           | \$2,077                                      | 20,000                        | \$16,177  |
| Median                          | \$4,611                           | \$1,663                                      | 10,268                        | \$12,234  |
| 25th Percentile                 | \$3,308                           | \$1,013                                      | 6,700                         | \$5,132   |
| Western Union                   | \$5,491                           | \$1,385                                      | 8,000                         | \$11,305  |

All data was compiled by the Compensation Consultant who obtained peer company financial market intelligence from Capital IQ Compustat. The data generally represents revenue and operating income for the most recent four quarters available to the Compensation Consultant at the time the Compensation Consultant compiled the data in January 2012. Other than for the Company, operating income may reflect measures that are not in conformity with Generally Accepted Accounting Principles.

The Compensation Committee also uses general industry compensation survey data in its evaluation of executive pay. Survey data relies upon responses from participating companies to survey questions, which are compiled and sorted by the surveyor based on various factors, such as the period covered, the location of the company, and the positions under review. Survey data provides insight into positions that may not generally be reported in proxy statements and information about the compensation of executives of non-public companies. The survey data is, in some instances, a useful complement to the peer group proxy data. To assist the committee in its review of the general industry compensation survey data, the Compensation Consultant extracts compensation information from the surveys with respect to companies with annual revenues ranging from \$3 billion to \$10 billion. For the 2012 compensation review, the Compensation Consultant compiled compensation data from the following general industry compensation surveys: 2011 U.S. Mercer Benchmark Database-Executive (which included data from 58 companies with annual revenues between \$5 billion and \$10 billion); Equilar Top 25 (which included custom data from ten of the companies in the Company's peer group described above: Charles Schwab, CME Group, eBay, Fiserv, Global Payments, MasterCard, NASDAQ OMX, State Street, Total Systems Services, and Visa); 2011 Hewitt Total Compensation Measurement Database (which included data from 74 companies with annual revenues between \$5 billion and \$10 billion); and 2011 Towers Watson U.S. Compensation Data Bank General Industry Executive Database (which included data from 101 companies with annual revenues between \$3 billion and \$6 billion). In addition, for performing the market evaluation of Mr. Thompson's position, the committee also considered the Equilar Top IT compensation survey (which included custom data from seven of the companies in the Company's peer group described above: ADP, Charles

Schwab, CME Group, Fiserv, NASDAQ OMX, State Street, and Total Systems Services).

In the evaluation of 2012 compensation levels for the positions of Chief Executive Officer (Mr. Ersek) and Chief Financial Officer (Mr. Scheirman), the committee considered the proxy data from the peer group as the most relevant market data. For the executive positions which oversaw business units (Messrs. Stockdale and Agrawal) for which peer group proxy data was consistently available, the committee weighted the peer group proxy data at 75% with the remaining 25% of the comparator data from the surveys. For Messrs. Dye and Thompson, whose positions are not reported as consistently in proxy data, the committee considered the survey data in setting their initial compensation levels. When using the survey data, the survey data was weighted for each position, based on an assessment of the relevancy of the data sources to the particular position.

## Compensation Discussion and Analysis

### Use of Tally Sheets

The Compensation Committee reviews tally sheets that present comprehensive data on the total compensation and benefits package for each of the Company's executives. These tally sheets include historical and current compensation data, valuations of future equity vesting, value of option exercises in the past five years as well as analyses for hypothetical terminations and retirements to allow the Compensation Committee to consider the Company's obligations under such circumstances. The tally sheets provide context for the committee in the determination of the elements and amounts of compensation paid.

### THE WESTERN UNION EXECUTIVE COMPENSATION PROGRAM

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The Company's executive compensation program consists of the following principle elements: base salary; annual incentive compensation; and long-term incentive compensation. In addition, each of our named executive officers receive certain perquisites that the committee believes to be competitive and our executives are eligible for coverage under the Company's benefit programs, executive severance policy, and retirement savings plans. Each of Western Union's 2012 executive compensation program elements is described in detail below and individual compensation decisions are discussed in "-Compensation of Our Named Executive Officers."

#### Base Salary

Our philosophy is that base salaries should meet the objectives of attracting and retaining the executives needed to lead the business. Base salary is a fixed compensation component payable in cash. In setting the base salary levels, the committee considered peer group and survey data as well as the performance of the individual executive. For 2012, Messrs. Ersek and Scheirman received merit increases of 8.1% and 4.0%, respectively. Please see "-Compensation of Our Named Executive Officers" for further information regarding the 2012 base salary levels.

#### Annual Incentive Compensation

Our Annual Incentive Plan is designed to motivate and reward executive officers for achieving short-term performance objectives. The Annual Incentive Plan design is intended to provide annual incentive awards that qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code. The participants in the Annual Incentive Plan in 2012 were Mr. Ersek and the Company's Executive Vice Presidents, which included all of the named executive officers other than Mr. Thompson. Because Mr. Thompson joined the Company in April 2012, Mr. Thompson received his annual bonus payout under the Company's Performance Incentive Plan, subject to the achievement of the same financial and strategic performance objectives as established under the Annual Incentive Plan.

Compensation under the Annual Incentive Plan is intended to be a significant component of an executive's total cash compensation opportunity in a given year, helping create a "pay for performance" culture. Annual Incentive Plan compensation holds executives accountable and rewards them based on the Company's performance. Target payout opportunities under the Annual Incentive Plan are expressed as a percentage of a participant's annual base salary, with actual payouts ranging from 0% to 200% of target for various levels of performance. The 2012 Annual Incentive Plan awards were based 70% on the Company's achievement of financial performance metrics relating to revenue and operating income growth and 30% on the Company's achievement of strategic business objectives relating to new revenue realized and the development and implementation of a global customer database. The committee designed the 2012 Annual Incentive Plan to include both financial and strategic business objectives because the committee believed that it was important to emphasize certain strategic priorities in 2012 in addition to financial goals and to align further the Annual Incentive Plan with the Company's business strategy. In addition, the committee may utilize an individual performance modifier under the Annual Incentive Plan, which allows the committee to increase or reduce an award based on the individual performance of the executive. The committee believes that this modifier further emphasizes that each named executive officer is accountable for his performance and, ultimately, the performance of the Company.

**Financial Performance Metrics.** The Compensation Committee set the executives' 2012 annual incentive compensation award targets for financial performance by establishing a grid based on the Company's revenue and operating income as it had in previous years. These performance measures were used in order to tie annual incentive compensation to measures of the Company's financial performance that the committee determined to be meaningful to and readily

accessible by our investors.

The Compensation Committee established the grid metrics and corresponding payout percentages based upon input from management regarding the Company's expected performance in the upcoming year, which included the impact of external factors on the Company, such as challenging economic conditions. For 2012, the committee designed the grid to encourage strong, focused performance by our executives. In 2011, the Annual Incentive Plan grid provided a payout of 90% of target if the Company achieved

## Compensation Discussion and Analysis

its internal operating plan for operating income and revenue; however, for 2012, the committee established the grid to increase the payout to 100% of target if the Company achieved its internal operating plan for operating income and revenue (revenue of approximately \$5.9 billion and operating income of approximately \$1.5 billion). In approving the design change from 90% payout to 100% payout for target performance, the committee sought to simplify the design of the program and to reflect that the 2012 operating plan was set at a level that required the Company's revenue performance to be above projected market growth rates. As much as 200% of target would be paid if both operating income and revenue were 104% or greater of operating plan. Within the grid, a higher rate of increase for one metric could counterbalance a lower rate of increase for the other metric. The 2012 payout curve for superior performance was structured to provide for steepened increases in payout levels in order to further incentivize participants to deliver above target performance.

When the grid was established and consistent with prior years, the committee determined that the effect of currency fluctuations on revenue and operating income performance should be excluded from the payout calculation, as they believed compensation should not be based on factors outside of the control of our executives. In addition, pursuant to the Annual Incentive Plan and subject to compliance with Section 162(m) of the Internal Revenue Code, the Compensation Committee retained discretion to adjust the performance objectives for major nonrecurring and non-operating expense and income items based on the facts and circumstances involved. The graph below demonstrates potential payout percentages relative to target for combinations of revenue and operating income achievement levels under the corporate performance grid for 2012.

In the graph, the 100% payout level assumed achievement of 2012 plan (revenue of approximately \$5.9 billion and operating income of approximately \$1.5 billion).

In 2012, the Company achieved 97.3% of plan for revenue and 91.3% of plan for operating income, resulting in no payout for the financial performance metric.

Strategic Performance Objectives. As noted above, 30% of the award payout under the 2012 Annual Incentive Plan was linked to the accomplishment of strategic performance objectives during 2012. The committee established the performance objectives described below for the payout of these awards based upon key strategic initiatives that were supportive of the Company's strategic operating plan. The performance levels of the objectives were designed to be achievable, but required the coordinated, cross functional focus and effort of the executive officers. The payout opportunity for the accomplishment of the strategic performance goals ranged from 0% to 200% of each participant's target award opportunity with respect to the strategic performance objectives. The strategic performance objectives, their respective weightings as well as the performance assessment for the 2012 Annual Incentive Plan awards are as follows:

Compensation Discussion and Analysis

| Strategic Performance Objective          | 2012 Annual Incentive Plan Strategic Performance Goals          | 2012 Actual Performance   |
|--|---|---|
| New Revenue Realized (weighting 20%)     | New revenue in Global Consumer Financial Services business unit | New revenue in Global Consumer Financial Services business unit was between threshold and target performance goals. |
|  | Business-to-business new customer revenue growth                | Growth in business-to-business new customer revenue was at the threshold performance goal.                          |
| Global Customer Database (weighting 10%) | Increase new customer revenue originating from westernunion.com | Increase in new revenue originating from westernunion.com was between threshold and target performance goals.       |
|  | Further develop and implement a global customer database        | Development and implementation of a global customer database was achieved at the target performance level.          |
|  | Performance Level Achievement                                   | 80%   |

The following table sets forth the weighting of the financial performance metrics and strategic performance objectives, the actual payout percentage with respect to the financial performance metrics and strategic performance objectives, and the total payout percentage based on the achievement of such objectives for the 2012 Annual Incentive Plan. Based on management's performance levels relative to the Annual Incentive Plan financial performance metrics and strategic performance objectives described above, the committee certified a payout amount of 24% of target for each named executive officer other than Mr. Ersek. Pursuant to the committee's exercise of negative discretion, Mr. Ersek did not receive a 2012 Annual Incentive Plan award payout. In addition, the payouts for Messrs. Thompson and Dye were adjusted in recognition of their performance during 2012.

| Objectives                              | Weighting               | Actual Payout as Percentage of Target |
|---|-------------------------|---------------------------------------|
| Corporate Financial Performance Metrics | 70%                     | 0%                                    |
| Strategic Performance Objectives        | 30%                     | 80%                                   |
|   | Total Payout Percentage | 24%                                   |

Long-Term Incentive Compensation

The Long-Term Incentive Plan allows the Compensation Committee to award various forms of long-term incentive grants, including stock options, performance-based equity and performance-based cash awards. The Compensation Committee has sole discretion in selecting participants for long-term incentive grants and the Compensation Committee approves all equity grants made to our senior executives. When making regular annual equity grants, the Compensation Committee's policy is to approve them during the first quarter of each year as part of the annual compensation review. The grant date of the regular annual equity grants is the date upon which the award is approved by the committee.

Long-Term Incentive Awards Linked to Performance Objectives. In recent years, the Compensation Committee determined that long-term incentive awards granted to executive officers should be tied more closely to performance objectives. The multi-year awards granted to our executives in 2006 at the time of the Company's spin-off (the "Spin-off") from its former parent company, First Data Corporation, were comprised of stock option awards and time-based restricted stock and restricted stock unit awards. To focus the executive officers and encourage cross-functional, collaborative effort, the committee granted annual long-term incentive awards to our executives in 2009 and 2010, with one-third of the targeted value of the long-term incentive award in the form of



performance-based cash. Continuing the trend toward performance-based awards, in 2011 and 2012, approximately two-thirds of the target value of the long-term incentive awards were granted in the form of performance-based restricted stock units.

2012 Annual Long-Term Incentive Awards. In February 2012, the Compensation Committee granted the Chief Executive Officer and the then serving Executive Vice Presidents long-term incentive awards under the Long-Term Incentive Plan. The awards consisted of 33% stock option awards and 67% performance-based restricted stock units. The committee believed that the mix of stock options and performance-based restricted stock units was appropriate because the two forms of awards together

## Compensation Discussion and Analysis

represented a balanced reflection of stockholder returns, financial performance, and strategic performance. The stock options vest in 25% annual increments over four years and have a ten-year term. The performance-based restricted stock unit awards are described in greater detail below.

The Compensation Committee's objectives for the 2012 long-term incentive awards were to:

- Align the interests of our executives with the interests of our stockholders by focusing on objectives that result in stock price appreciation through the use of stock options;
- Increase cross-functional executive focus in the coming years on key performance metrics through performance-based restricted stock unit awards; and
- Retain the services of executives through multi-year vesting provisions.

The 2012 performance-based restricted stock unit awards will vest if and only to the extent that specific performance goals with respect to revenues, earnings before the deduction of interest, taxes, depreciation, and amortization expenses, and growth in registered customers are met during a two-year performance period. Further, the 2012 performance-based restricted stock unit awards are subject to two payout modifiers that limit the number of restricted stock units that may vest based on the Company's TSR and stock price performance over a three-year measurement period. Under the terms of the performance-based restricted stock unit awards, as much as 300% of the targeted performance-based restricted stock unit awards may be earned based on the Company's performance with respect to the two-year performance objectives described above. The maximum payout, however, is capped at 200% of the target opportunity if the Company's TSR performance from January 1, 2012 through December 31, 2014 does not at least meet the TSR performance of the S&P 500 Index over the same period. The maximum payout is further capped at 150% of the target opportunity if the Company's stock price on December 31, 2014 is less than the stock price on December 30, 2011. The committee designed the performance and vesting schedule to reflect the longer-term focus of the performance objectives as well as a linkage of the payout levels to the Company's TSR and stock price performance over the three-year performance period.

The performance objectives for payment of the 2012 performance-based restricted stock unit awards and their respective weightings are set forth below. The committee believed that the performance objectives established for 2012 require successful execution of the Company's strategic operating plan in order to earn awards and that these performance objectives reinforced the Company's strategic priorities in addition to Company's financial performance goals. The target payout level under the performance-based restricted stock unit awards was designed to be achievable with strong management performance, while the maximum payout level was designed to be difficult to achieve. The performance objectives relating to the 2012 performance-based restricted stock unit grants were:

- Targeted compound annual constant currency growth rate for the Company's revenue for 2012 through 2013, measured against 2011 revenue (weighting 34%);
- Targeted compound annual constant currency growth rate for the Company's earnings before the deduction of interest, taxes, depreciation, and amortization expenses for 2012 through 2013, measured against 2011 earnings before the deduction of interest, taxes, depreciation, and amortization expenses (weighting 33%); and
- Targeted compound annual growth rate for registered customers for 2012 through 2013, measured against 2011 registered customer levels (weighting 33%).

Similar to the Annual Incentive Plan, when the financial performance objectives were established, the committee determined that the effect of currency fluctuations on revenue and earnings before interest, tax, depreciation, and amortization expenses over the course of the year should be excluded from the award calculation, as they believed compensation should not be based on factors outside of the control of our executives.

### Severance and Change-in-Control Benefits

Western Union has an executive severance policy for our executive officers. The policy helps accomplish Western Union's compensation philosophy of attracting and retaining exemplary talent. The committee believes it is appropriate to provide executives with the rewards and protections afforded by the Executive Severance Policy. The policy reduces the need to negotiate individual severance arrangements with departing executives and protects our executives from termination for circumstances not of their doing. The committee also believes that the policy promotes management independence and helps retain, stabilize, and focus the executive officers in the event of a change-in-control. During 2012, Mr. Stockdale became entitled to severance benefits pursuant to the policy. The terms

of the departure of Mr. Stockdale are described further below under “Compensation of Our Named Executive Officers.”

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While the policy reduces the need to negotiate individual severance provisions, the committee recognizes that under certain circumstances individual severance arrangements may be desirable or beneficial to the Company. Accordingly, the severance policy provides the committee with the discretion to negotiate individual severance arrangements with participants covered by the policy, other than the Chief Executive Officer, when circumstances warrant such arrangement. Under the terms of the policy, only the Board has authority to negotiate an individual severance arrangement with the Chief Executive Officer.

In the event of a change-in-control, the policy's severance benefits are generally payable only upon a so-called "double trigger." This means that severance benefits are triggered only when an eligible executive is involuntarily terminated (other than for cause, death, or disability), or terminates his or her own employment voluntarily for "good reason" (including a material reduction in title or position, reduction in base salary or bonus opportunity or an increase in the executive's commute to his or her current principal working location of more than 50 miles without consent) within 24 months after the date of a change-in-control. In addition, the Executive Severance Policy prohibits excise tax gross-up payments on change-in-control benefits for those individuals who became executives of the Company after April 2009. Please see the "Executive Compensation-Potential Payments Upon Termination or Change-in-Control" section of this Proxy Statement for further information regarding the Executive Severance Policy and the treatment of awards upon qualifying termination events or a change-in-control.

### Retirement Savings Plans

Western Union executives on U.S. payroll are eligible for retirement benefits through a qualified defined contribution 401(k) plan, the Incentive Savings Plan, and a nonqualified defined contribution plan, the Supplemental Incentive Savings Plan. The Supplemental Incentive Savings Plan provides a vehicle for additional deferred compensation with matching contributions from the Company. We maintain the Incentive Savings Plan and the Supplemental Incentive Savings Plan because we wish to encourage our employees to save some percentage of their cash compensation for their eventual retirement. Mr. Ersek participates in the qualified defined contribution retirement plan made available to eligible employees in Austria.

The committee believes that these types of savings plans are consistent with competitive pay practices, and are an important element in attracting and retaining talent in a competitive market. Please see the 2012 Nonqualified Deferred Compensation Table in the "Executive Compensation" section of this Proxy Statement for further information regarding Western Union's retirement savings plans.

### Benefits and Perquisites

The Company's global benefit philosophy for employees, including executives, is to provide a package of benefits consistent with local practices and competitive within individual markets. Each of our named executive officers participates in the health and welfare benefit plans and fringe benefit programs generally available to all other Western Union employees in the individual market in which they are located. In addition, in 2012 the Company provided the benefits and perquisites as described in the 2012 Summary Compensation Table in the "Executive Compensation" section of this Proxy Statement, including: relocation reimbursement; an annual physical examination and related travel expenses for the executive; tickets to sporting events; and Company-provided car. Mr. Ersek is also provided with a car and driver for security purposes and to maximize his efficiency. In addition, Mr. Dye received relocation benefits in connection with his relocation from Virginia to Colorado as part of our executive relocation program. These relocation benefits were deemed to be important to the recruiting of Mr. Dye to the Company and were subject to pro rata repayment if Mr. Dye resigned or was terminated by the Company with cause prior to the 12 month anniversary of his start date.

The Company provided its other named executive officers with competitive perquisites and other personal benefits which are consistent with the Company's philosophy of attracting and retaining exemplary executive talent and, in some cases, such as the annual physical examination, the Company provides such personal benefits because the Compensation Committee believes they are in the interests of the Company and its stockholders. The committee periodically reviews the levels of perquisites and other personal benefits provided to named executive officers.

### Stock Ownership Guidelines

To align our executives' interests with those of our stockholders and to assure that our executives own meaningful levels of Western Union stock throughout their tenures with the Company, the Compensation Committee established

stock ownership guidelines for our executives. The stock ownership guidelines require the Chief Executive Officer to own Western Union stock equal in value to five times his base salary and each of the other executive officers to own stock equal in value to two times his or her respective base salary.

The ownership guideline for the Chief Executive Officer is higher because (i) the committee desires that he maintain a significant interest in the future of the Company, (ii) he receives higher equity grants than the other executives, and (iii) this is

## Compensation Discussion and Analysis

consistent with market practices. Under the stock ownership guidelines, the executives must retain, until the required ownership guideline levels have been achieved, at least 50% of after-tax shares resulting from the vesting of restricted stock and restricted stock units and at least 50% of the shares acquired upon exercise of stock options after the payment of the exercise price, broker fees, and related tax withholding obligations. Included in the definition of stock ownership are the after-tax value of unvested shares of restricted stock and time-based restricted stock units, any Western Union stock owned outright, including stock acquired upon option exercises, and stock in any Western Union benefit plan. Unexercised stock options and performance-based restricted stock units do not count towards meeting stock ownership guidelines.

### Employment Agreements

The Company generally executes an offer of employment prior to the time an executive joins the Company, which describes the basic terms of the executive's employment, including his or her start date, starting salary, bonus target and long-term incentive award target. The terms of the executive's employment are thereafter based on sustained good performance rather than contractual terms, and the Company's policies, such as the Executive Severance Policy, will apply as warranted. Consistent with the Company's historical practices, during 2012, the Company and Mr. Thompson executed an employment letter memorializing the terms of his offer of employment.

Under certain circumstances, the Compensation Committee recognizes that special arrangements with respect to an executive's employment may be necessary or desirable. For example, Mr. Ersek, the Company, and a subsidiary of the Company entered into agreements in November 2009 relating to his 2009 promotion to Chief Operating Officer, which were amended effective September 2010 to reflect his 2010 promotion to President and Chief Executive Officer. Employment contracts are a competitive market practice in Austria where Mr. Ersek resided at the time he assumed his position as Chief Operating Officer and the Compensation Committee believes the terms of his agreements are consistent with those for similarly situated executives in Austria. In addition, the Company entered into a letter agreement with Mr. Agrawal in January 2012 describing the terms and conditions applicable to Mr. Agrawal's expatriate assignment. Please see the "Executive Compensation-Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table-Employment Arrangements" section of this Proxy Statement for a description of the material terms of Mr. Ersek's employment agreement, Mr. Thompson's employment letter agreement, and Mr. Agrawal's expatriate agreement.

### Clawback Policy

The Board of Directors adopted a clawback policy in 2009. Under the policy, the Board may, in its discretion and subject to applicable law, recover incentive compensation paid to an executive officer of the Company (defined as an individual subject to Section 16 of the Securities Exchange Act of 1934, as amended, at the time the incentive compensation was received by or paid to the officer) if the compensation resulted from any financial result or performance metric that was impacted by the executive officer's misconduct or fraud. The Board is monitoring this policy to ensure that it is consistent with applicable laws, including any requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

### Tax Implications of Executive Compensation Program

Under Section 162(m) of the Internal Revenue Code, named executive officer (other than the Chief Financial Officer) compensation over \$1 million for any year is generally not deductible for United States income tax purposes. Performance-based compensation is exempt from the deduction limit, however, if certain requirements are met. The Compensation Committee structures compensation to take advantage of this exemption under Section 162(m) to the extent practicable, while satisfying the Company's compensation policies and objectives. Because the Compensation Committee also recognizes the need to retain flexibility to make compensation decisions that may not meet the standards of Section 162(m) when necessary to enable the Company to continue to attract, retain, and motivate highly-qualified executives, it reserves the authority to approve potentially non-deductible compensation in appropriate circumstances.

## COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

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The following section describes the compensation paid to or earned by our named executive officers during 2012. In establishing the 2012 compensation levels for our named executive officers, the committee relied on the philosophy,

objectives, and procedures set forth above under “-Establishing and Evaluating Executive Compensation,” including the committee’s review of market data and consideration of the input of the Compensation Consultant.

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## Compensation Discussion and Analysis

Hikmet Ersek

President and Chief Executive Officer

Mr. Ersek became President and Chief Executive Officer in September 2010, after serving as Chief Operating Officer, beginning January 1, 2010. Mr. Ersek is responsible for the performance of the Company and he also serves as a director of the Company. Since joining Western Union in 1999, Mr. Ersek held positions of increasing responsibility within the Company. Prior to joining Western Union, he held positions at General Electric (GE) Capital and Europay/MasterCard.

Mr. Ersek's 2012 compensation was weighted significantly toward variable and performance-based incentive pay over fixed pay, and long-term, equity-based pay over annual cash compensation, because the Compensation Committee desired to tie a significant level of Mr. Ersek's compensation to the performance of the Company. The percentage of compensation delivered in the form of performance-based compensation is higher for Mr. Ersek than compared to the other named executive officers because the Compensation Committee believes that the Chief Executive Officer's leadership is one of the key drivers of the Company's success. Accordingly, a greater percentage of the Chief Executive Officer's total compensation should be variable as a reflection of the Company's level of performance. Market data provided by the Compensation Consultant supported this practice as well. Accordingly, at target-level performance for 2012, Mr. Ersek's annual compensation was weighted 12% base salary, 18% annual incentive award, and 70% long-term incentive award. Eighty-eight percent of Mr. Ersek's targeted total annual compensation varies based on the Company's performance.

In February 2012, the Compensation Committee set Mr. Ersek's 2012 compensation levels, including his annual and long-term incentive award targets, as discussed below. In determining Mr. Ersek's 2012 target compensation levels, the committee considered Mr. Ersek's 2011 performance and peer group data. Mr. Ersek's compensation as Chief Executive Officer is set higher relative to the other named executive officers. The Compensation Committee considers this to be appropriate, based on market data provided by the Compensation Consultant, and because his level of pay reflects his ultimate responsibility to oversee the performance of the Company.

**Base Salary.** In February 2012, the committee increased Mr. Ersek's base salary from \$925,000 to \$1,000,000, effective March 1, 2012.

**Annual Incentive Plan Target and Payout Level.** For 2012, the committee increased Mr. Ersek's annual incentive plan target from 135% of his base salary to 150% of his base salary, or \$1,500,000. The maximum Annual Incentive Plan award that Mr. Ersek could have earned during 2012 was 200% of Mr. Ersek's target, or \$3,000,000. The Compensation Committee exercised negative discretion in determining not to award Mr. Ersek a 2012 Annual Incentive Plan award payout.

**Long-Term Incentive Award.** For 2012, the committee increased Mr. Ersek's long-term incentive award target from \$4,500,000 to \$6,000,000.

Scott T. Scheirman

Executive Vice President, Chief Financial Officer (September 2006 to present) and Global Operations (January 2012 to November 2012)

Mr. Scheirman joined our former parent, First Data Corporation, in 1992, where he held positions of increasing responsibility. Mr. Scheirman served as the Senior Vice President and Chief Financial Officer for the Western Union business unit from 1999 through 2006, and assumed his role as Executive Vice President, Chief Financial Officer at the time of the Spin-off in 2006. In addition to serving as Executive Vice President, Chief Financial Officer, Mr. Scheirman served as Executive Vice President, Global Operations from January 2012 to November 2012, and as such led the Company's global operational and service strategies, product delivery, customer service initiatives, and other matters related to the Company's global operations. Prior to joining First Data, Mr. Scheirman was with Ernst & Young LLP.

In February 2012, the Compensation Committee set Mr. Scheirman's 2012 compensation levels, including his annual and long-term incentive award targets, as discussed below. In determining Mr. Scheirman's 2012 target compensation levels, the committee considered Mr. Scheirman's 2011 performance and peer group data. The committee increased



Mr. Scheirman's annual base salary and long-term incentive target to bring his total compensation into closer alignment with market levels.

• Base Salary. In February 2012, the committee increased Mr. Scheirman's base salary from \$562,800 to \$585,312, effective March 1, 2012.

Compensation Discussion and Analysis

Annual Incentive Plan Target and Payout Level. No changes were made to Mr. Scheirman's annual incentive target, as a percentage of base salary. Accordingly, for 2012, Mr. Scheirman's 2012 annual incentive plan target was 95% of his base salary, or \$556,046. The maximum Annual Incentive Plan award that Mr. Scheirman could have earned during 2012 was 200% of Mr. Scheirman's target, or \$1,112,092. Mr. Scheirman's 2012 Annual Incentive Plan award payout was \$133,451, which reflected the payout of 24% of Mr. Scheirman's target.

Long-Term Incentive Award. For 2012, the committee increased Mr. Scheirman's long-term incentive award target from \$1,500,000 to \$1,750,000.