UNIVERSAL CORP /VA/
Form DEF 14A
June 30, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
Proxy Statement pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to § 240.14a-12

UNIVERSAL CORPORATION

(Name of Registrant as Specified in its Charter)

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

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(1) Amount Previously Paid:

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

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(4) Date Filed:

ANNUAL MEETING OF SHAREHOLDERS

June 30, 2011

Dear Shareholder:

You are cordially invited to attend the 2011 Annual Meeting of Shareholders of Universal Corporation, which is to be held in our headquarters building located at 9201 Forest Hill Avenue, Stony Point II Building, Richmond, Virginia 23235, on Thursday, August 4, 2011, commencing at 2:00 p.m. Eastern Time. At the Annual Meeting, you will be asked to (i) elect as directors the two nominees to the Board of Directors named in the accompanying proxy statement to serve three-year terms; (ii) hold an advisory vote on executive compensation; (iii) hold an advisory vote on the frequency of such executive compensation votes; (iv) approve an amendment to our Amended and Restated Articles of Incorporation; and (v) approve an amendment to the Universal Corporation 2007 Stock Incentive Plan.

Please note that brokers may not vote your shares on the election of directors and most other proposals in the absence of your specific instructions as to how to vote. Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted at the Annual Meeting. Registered shareholders and participants in plans holding shares of our common stock may vote by signing, dating, and returning the enclosed proxy card or voting instruction, or they may vote over the Internet or by telephone. Instructions for using these convenient services are set forth in the instructions for voting that are attached to the enclosed proxy card or voting instruction. Beneficial owners of shares of our common stock held in street name through a bank or brokerage account should follow the enclosed instructions for voting their shares. I hope you will be able to attend the Annual Meeting, but even if you cannot, please vote your shares as promptly as possible.

Sincerely,

GEORGE C. FREEMAN, III
Chairman, President, and
Chief Executive Officer

Universal Corporation
P.O. Box 25099
Richmond, Virginia 23260

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Universal Corporation will be held in our headquarters building located at 9201 Forest Hill Avenue, Stony Point II Building, Richmond, Virginia 23235, on Thursday, August 4, 2011, at 2:00 p.m. Eastern Time, for the following purposes:

(1) to elect as directors the two nominees to the Board of Directors named in the accompanying proxy statement to serve three-year terms;

(2) to approve a non-binding advisory resolution approving the compensation of our named executive officers;

(3) to hold a non-binding advisory vote on the frequency (every one, two or three years) of the advisory vote on executive compensation;

(4) to approve an amendment to the Amended and Restated Articles of Incorporation relating to the size of the Board of Directors;

(5) to approve an amendment to the Universal Corporation 2007 Stock Incentive Plan; and

(6) to act upon such other matters as may properly come before the meeting or any adjournments or postponements thereof.

Only holders of record of shares of our common stock at the close of business on June 15, 2011, shall be entitled to vote at the meeting.

Please note that brokers may not vote your shares on the election of directors, the advisory votes on executive compensation and the frequency of executive compensation votes or the amendment to the Universal Corporation 2007 Stock Incentive Plan in the absence of your specific instructions as to how to vote. Whether or not you expect to attend the annual meeting in person, it is important that you vote and we urge you to complete, sign, date and return the enclosed proxy in the envelope provided.

By Order of the Board of Directors,

PRESTON D. WIGNER
Secretary

June 30, 2011

PROXY STATEMENT

FOR ANNUAL MEETING OF SHAREHOLDERS
OF UNIVERSAL CORPORATION

TO BE HELD AUGUST 4, 2011
APPROXIMATE DATE OF MAILING – JUNE 30, 2011

This Proxy Statement sets forth certain information with respect to the accompanying proxy to be used at the 2011 Annual Meeting of Shareholders of Universal Corporation, which we refer to as the Annual Meeting, or at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. The Board of Directors has designated our headquarters building located at 9201 Forest Hill Avenue, Stony Point II Building, Richmond, Virginia 23235, as the place of the Annual Meeting. The Annual Meeting will be called to order at 2:00 p.m., Eastern Time, on Thursday, August 4, 2011.

The Board of Directors solicits this proxy and urges you to vote immediately. Unless the context otherwise indicates, reference to "Universal," "we," "us," "our," or "the Company" means Universal Corporation.

Our Annual Report on Form 10-K for the fiscal year ended March 31, 2011, which we refer to as the fiscal year 2011 Annual Report, is being mailed concurrently with this Proxy Statement to our shareholders. Unless otherwise specifically stated, our fiscal year 2011 Annual Report is not incorporated into this Proxy Statement and shall not be considered a part of this Proxy Statement or soliciting materials.

QUESTIONS AND ANSWERS FOR ANNUAL MEETING

Q: Who is asking for my vote and why are you sending me this document?

A: The Board of Directors asks that you vote on the matters listed in the Notice of Annual Meeting of Shareholders, which are more fully described in this Proxy Statement. We are providing this Proxy Statement and related proxy card or voting instruction to our shareholders in connection with the solicitation by the Board of Directors of proxies to be voted at the Annual Meeting. A proxy, if duly executed and not revoked, will be voted and, if it contains any specific instructions, will be voted in accordance with those instructions.

Q: Who is eligible to vote?

A: You may vote if you owned shares of Universal Corporation common stock, which we refer to as Common Stock, on June 15, 2011, the record date established by the Board of Directors under Virginia law for determining shareholders entitled to notice of and to vote at the Annual Meeting. We had outstanding as of the record date 23,229,712 shares of Common Stock, each of which is entitled to one vote per share. Only shareholders of record of Common Stock at the close of business on June 15, 2011, will be entitled to vote.

We issued shares of Series B 6.75% Convertible Perpetual Preferred Stock in 2006, which we refer to as Preferred Stock. Shares of Preferred Stock have voting rights under certain circumstances. We believe that none of those circumstances exist with respect to the Annual Meeting, so shares of Preferred Stock have no voting rights with respect to matters presented in this Proxy Statement.

Q: What is a proxy?

A:

A proxy is your legal designation of another person to vote the stock you own. If you designate someone as your proxy or proxy holder in a written document, that document also is called a proxy or a proxy card. Messrs. Preston D. Wigner and David C. Moore have been designated as proxies or proxy holders for the Annual Meeting. Proxies properly executed and received by our Secretary prior to the Annual Meeting and not revoked will be voted in accordance with the terms thereof.

Q: What is a voting instruction?

A: A voting instruction is the instruction form you receive from your bank, broker, or other nominee if you hold your shares of Common Stock in street name. The instruction form instructs you how to direct your bank, broker, or other nominee, as record holder, to vote your shares of Common Stock.

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Q: What am I voting on at the Annual Meeting?

A: You will be voting on the following matters:

- The election of the two nominees set forth in this Proxy Statement to the Board of Directors,
- The approval of a non-binding advisory resolution approving the compensation of our named executive officers,
- A non-binding advisory vote as to the frequency (every one, two or three years) of the non-binding shareholder vote to approve the compensation of our named executive officers,
- The approval of an amendment to our Amended and Restated Articles of Incorporation (the "Articles of Incorporation") relating to the size of the Board of Directors,
- The approval of an amendment to the Universal Corporation 2007 Stock Incentive Plan (the "2007 Stock Incentive Plan"), and
- Any other business properly raised at the Annual Meeting or any adjournments or postponements thereof.

We are not aware of any matters that are to come before the Annual Meeting other than those described in this Proxy Statement. If other matters do properly come before the Annual Meeting, however, it is the intention of the persons named in the enclosed proxy card to exercise the discretionary authority conferred by the proxy to vote such proxy in accordance with their best judgment.

Q: What constitutes a quorum and how many votes must be present to hold the Annual Meeting?

A: In order for the Annual Meeting to be conducted, a majority of the shares entitled to vote (i.e., a majority of the outstanding shares of Common Stock as of the record date) must be present in person or represented by proxy at the Annual Meeting for the transaction of business at the Annual Meeting. This is referred to as a quorum. Abstentions, withheld votes, and shares held of record by a bank, broker, or other nominee ("broker shares") that are voted on any matter are included in determining the number of votes present. Broker shares that are voted on at least one matter will be counted for purposes of determining the existence of a quorum for the transaction of business at the Annual Meeting. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present. In the event that a quorum is not present at the Annual Meeting, it is expected that the Annual Meeting will be adjourned or postponed to solicit additional proxies. It is very important, therefore, that you vote your shares.

Q: What vote is needed to elect directors?

A: The election of each nominee for director requires the affirmative vote of the holders of a plurality of the shares of Common Stock voted in the election of directors.

Q: What vote is needed to approve the non-binding advisory resolution approving the compensation of our named executive officers?

A: The approval of the non-binding advisory proposal regarding the compensation of our named executive officers requires that the votes cast in favor of the proposal exceed the number of votes cast against the proposal. The Board of Directors and the Compensation and Governance Committee value the opinions of shareholders. To the extent that there is any significant vote against executive compensation, the Board of Directors and the Compensation and Governance Committee will consider shareholder concerns and evaluate whether any actions are necessary to address those concerns.

Q: What vote is being requested to approve the non-binding advisory vote as to the frequency (every one, two or three years) of the non-binding shareholder vote to approve the compensation of our named executive officers?

A: Shareholders are not voting to approve or disapprove the recommendation of the Board of Directors with respect to this proposal. The non-binding advisory vote as to the frequency (every one, two or three years) of the non-binding shareholder vote regarding the approval the compensation of our named executive officers will require you to choose among a frequency of every one, two or three years or abstain from voting. The Board of Directors will take into account the outcome of the vote when considering the frequency of future advisory votes on executive compensation.

Q: What vote is needed to approve the amendment to the Articles of Incorporation relating to the size of the Board of Directors?

A: The affirmative vote of at least two-thirds of the outstanding shares of common stock is required to approve the amendment to the Articles of Incorporation.

Q: What vote is needed to approve the amendment to the 2007 Stock Incentive Plan?

A: The affirmative vote of the holders of a majority of the shares cast with respect to the proposal to amend to the 2007 Stock Incentive Plan is required to approve the proposal, provided that the total votes cast on the proposal represents over 50% of the outstanding shares of the Company.

Q: What are the voting recommendations of the Board of Directors?

A: The Board of Directors recommends that shareholders vote "FOR" all of the proposed nominees named in this Proxy Statement for director; "FOR" the approval of the non-binding resolution on executive compensation; "FOR" a one-year frequency for the non-binding shareholder vote regarding approval of the compensation of our named executive officers; "FOR" the amendment to the Articles of Incorporation; and "FOR" the amendment to the 2007 Stock Incentive Plan

Q: How do I vote?

A: Registered shareholders (shareholders who hold Common Stock in certificated form as opposed to through a bank, broker, or other nominee) may vote in person at the Annual Meeting or by proxy. Registered shareholders have the following ways to vote by proxy:

- By mail—complete, sign, date, and return the enclosed proxy card or voting instruction, or
- Over the Internet or by telephone—follow the instructions provided on the enclosed proxy card or voting instruction.

Registered shareholders and participants in plans holding shares of Common Stock are urged to deliver proxies and voting instructions by using the Internet, by calling the toll-free telephone number, or by completing and mailing the enclosed proxy card or voting instruction. The Internet and telephone voting procedures are designed to authenticate shareholders' and plan participants' identities, to allow shareholders and plan participants to give their proxies or voting instructions, and to confirm that such instructions have been recorded properly. Instructions for voting over the Internet or by telephone are set forth on the enclosed proxy card or voting instruction. Registered shareholders and plan participants may also send their proxies or voting instructions by completing, signing, and dating the enclosed proxy card or voting instruction and returning it as promptly as possible in the enclosed postage-paid envelope.

Shareholders who hold Common Stock through a bank, broker, or other nominee (street name shareholders) who wish to vote at the Annual Meeting should be provided voting instructions from the institution that holds their shares. If this has not occurred, please contact the institution that holds your shares. Street name shareholders may also be eligible to vote their shares electronically by following the voting instructions provided by the bank, broker, or other nominee that holds the shares, using either the Internet address or the toll-free telephone number provided on the voting instruction, or otherwise complete, date, and sign the voting instruction and return it promptly in the enclosed pre-paid envelope.

The deadline for voting electronically over the Internet or by telephone is 11:59 a.m., Eastern Time, on August 3, 2011.

Q: Can I attend the Annual Meeting?

A: The Annual Meeting is open to all holders of our Common Stock as of the close of business on the record date, June 15, 2011. You may vote by attending the Annual Meeting and voting in person. Even if you plan to attend the Annual Meeting, we encourage you to vote your shares by proxy. We will not permit cameras, recording devices, and other electronic devices at the Annual Meeting.

Q: Can I withhold my vote?

A: You may withhold your vote with respect to the election of directors.

Q: Can I change or revoke my proxy?

A: Any shareholder who gives a proxy may change or revoke his or her proxy at any time before it is voted at the Annual Meeting. A shareholder may change or revoke his or her proxy by:

- giving written notice of revocation to our Secretary, whose address is on page 6 of this Proxy Statement,
- executing a proxy dated as of a later date, or
- voting in person at the Annual Meeting.

If you voted over the Internet or by telephone, you can also revoke your vote by any of these methods or you can change your vote by voting again over the Internet or by telephone. If you decide to vote by completing, signing, dating, and returning the enclosed proxy card, you should retain a copy of the voter control number found on the proxy card in the event that you decide later to change or revoke your proxy over the Internet or by telephone. Your attendance at the Annual Meeting will not itself revoke a proxy.

If you are a shareholder whose stock is held in street name with a bank, broker, or other nominee, you must follow the instructions found on the voting instruction card provided by the bank, broker, or other nominee, or contact your bank, broker, or other nominee in order to change or revoke your previously given proxy.

Q: How will my shares be voted if I sign, date, and return my proxy card or voting instruction card, but do not provide complete voting instructions with respect to each proposal?

A: Shareholders should specify their choice for each matter on the enclosed proxy. If no specific instructions are given, it is intended that all proxies that are signed and returned will be voted “FOR” the election of all of the nominees for director named in this Proxy Statement, “FOR” the approval of the non-binding resolution on executive compensation; “FOR” a one-year frequency for the non-binding shareholder vote regarding approval of the compensation of our named executive officers; “FOR” the amendment to the Articles of Incorporation; “FOR” the amendment to the 2007 Stock Incentive Plan; and according to the discretion of the proxy holders on any other business proposal properly raised at the Annual Meeting.

As to any other business that may properly come before the Annual Meeting, the persons named in the enclosed proxy card or voting instruction will vote the shares of Common Stock represented by the proxy in the manner as the Board of Directors may recommend, or otherwise in the proxy holders’ discretion. The Board of Directors does not presently know of any other such business.

Q: Will my shares be voted if I do not provide my proxy?

A: It will depend on how your ownership of shares of Common Stock is registered. If you own your shares as a registered holder, which means that your shares of Common Stock are registered in your name with our transfer agent, your unvoted shares will not be represented at the Annual Meeting and will not count toward the quorum requirement, which is explained under “What constitutes a quorum and how many votes must be present to hold the Annual Meeting?” on page 2 of this Proxy Statement, unless you attend the Annual Meeting to vote them in person.

If you are a shareholder whose shares of Common Stock are held in street name, which means that your shares are registered with our transfer agent in the name of your bank, broker or other nominee, then your bank, broker, or other nominee may or may not vote your shares in its discretion if you have not provided voting instructions to the bank, broker, or other nominee. Whether the bank, broker or other nominee may vote your shares depends on the proposals before the Annual Meeting. Brokers have the discretionary authority under the rules of the New York Stock Exchange, which we also refer to as the NYSE, to vote shares for which their clients do not provide voting instructions on certain “routine” matters.

The rules of the NYSE, however, do not permit your bank, broker or other nominee to vote your shares on proposals that are not considered “routine.” When a proposal is not a routine matter and your bank, broker or other nominee has not received your voting instructions with respect to that proposal, your bank, broker or other nominee cannot vote your shares on that proposal. Where brokers do not have discretion to vote or do not exercise such discretion, the inability or failure to vote is referred to as a “broker non-vote.” Under circumstances where a broker is not permitted to, or does not, exercise its discretion, assuming proper disclosure to us of such inability to vote, broker non-votes will not be counted as voting in favor of or against the particular matter. Please note that your bank, broker or other nominee may not vote your shares with respect to (i) the election of the two nominees for director, (ii) the non-binding proposal regarding the approval of the compensation of our named executive officers, (iii) the non-binding proposal regarding the frequency of the non-binding shareholder vote regarding the approval of the compensation of our named executive officers or (iv) the proposal to approve the amendment of the 2007 Stock Incentive Plan, in the absence of your specific instructions as to how to vote with respect to these matters, because under the rules of the NYSE, these matters are not considered “routine” matters.

Based on the rules of the NYSE, we believe that the proposal to approve the amendment to the Articles of Incorporation relating to the size of the Board of Directors is a routine matter for which brokerage firms may vote on behalf of their clients if no voting instructions are provided. If you are a shareholder whose shares of Common Stock are held in street name with a bank, broker or other nominee and you do not return your voting instruction card, your bank, broker or other nominee may vote your shares "FOR" the proposal to approve the amendment to the Articles of Incorporation. It is important, therefore, that you remember to vote your shares.

Q: How are abstentions and broker non-votes counted?

A: With respect to the election of directors, abstentions, withheld votes and broker non-votes will not be included in the vote total for the proposal to elect the nominees named in this Proxy Statement for director and will not affect the outcome of the vote for that proposal.

With respect to the advisory vote on executive compensation, abstentions and broker non-votes will have no effect on the proposal and will not count either in favor of, or against, the non-binding proposal.

The advisory vote on the frequency of the advisory vote on executive compensation will require you to choose among a frequency of every one, two or three years or abstain from voting. You are not voting to approve or disapprove our recommendation. Abstentions and broker non-votes, therefore, will have no effect on the proposal and will not count either in favor of, or against the non-binding proposal.

With respect to the amendment of the Articles of Incorporation, abstentions and broker non-votes will have the same effect as a vote "AGAINST" the proposal.

With respect to the amendment of the 2007 Stock Incentive Plan, abstentions and broker non-votes will have no effect on the proposal and will not count either in favor of, or against, the proposal, provided that the total vote cast represents over 50% of the outstanding shares of Common Stock.

Q: Where can I find the results of the Annual Meeting?

A: We will announce the preliminary voting results at the Annual Meeting and disclose the final results in a Current Report on Form 8-K filed within four business days after the Annual Meeting.

Q: Who pays for the solicitation of proxies?

A: We will pay all of the costs associated with this proxy solicitation. Proxies are being solicited by mail and may also be solicited in person or by telephone, facsimile, or other means of electronic transmission by our directors, officers, and employees. We will reimburse banks, brokerage firms, and other custodians, nominees, and fiduciaries for their reasonable expenses in forwarding proxy materials to the beneficial owners of shares of Common Stock. It is contemplated that additional solicitation of proxies will be made by D.F. King & Co., Inc., 77 Water Street, New York, New York 10005, at an anticipated cost to us of approximately $6,000, plus reimbursement of out-of-pocket expenses for such items as mailing, copying, phone calls, faxes, and other related matters. In addition, we will indemnify D.F. King against any losses arising out of D.F. King's proxy soliciting services on our behalf.

Q: Could other matters be decided in the Annual Meeting?

A: The Board of Directors does not know of any other business that may be brought before the Annual Meeting. However, if any other matters should properly come before the Annual Meeting or at any adjournment or postponement thereof, it is the intention of the persons named in the enclosed proxy card to vote on such matters as they, in their discretion, may determine.

Q: Where can I find Universal Corporation's corporate governance materials?

A: Our Corporate Governance Guidelines, including our independence standards for members of the Board of Directors, Code of Conduct, and the charters of the Audit Committee, the Executive Compensation, Nominating and Corporate Governance Committee, which we refer to as the Compensation and Governance Committee, and all other standing committees, are available under the "Corporate Governance" section of our Internet website at http://investor.universalcorp.com/governance.cfm, and are available in print to any shareholder upon request by contacting us at the following address or phone number:

Universal Corporation
P.O. Box 25099
Richmond, Virginia 23260
Attention: Investor Relations
Telephone: (804) 359-9311

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Q: How do I communicate with the Board of Directors?

A: Shareholders and other interested parties may at any time direct communications to the Board of Directors as a whole, to the director who presides at the executive sessions of the non-employee directors, or to any individual member of the Board of Directors, through our Internet website or by contacting our Secretary. The "Corporate Governance – Contact the Board" section of our Internet website at http://investor.universalcorp.com/contactboard.cfm contains an e-mail link established for receipt of communications with directors, and communications can also be delivered by mail by sending requests to our Secretary at the following address:

Universal Corporation
P.O. Box 25099
Richmond, Virginia 23260
Attention: Secretary
Telephone: (804) 359-9311

Shareholders making such communications are encouraged to state that they are shareholders and provide the exact name in which their shares of Common Stock are held and the number of shares held. Each individual communicating with the Board of Directors will receive a written acknowledgement from or on behalf of our Secretary after receipt of the communication sent in the manner described above. After screening such communications for issues unrelated to shareholder interests, our Secretary will distribute communications to the intended recipient(s) as appropriate. The process for such screening has been approved by our non-employee directors.

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON AUGUST 4, 2011.

Our Proxy Statement and fiscal year 2011 Annual Report are both available free of charge under the "Investor – Financial Information" section of our Internet website at http://investor.universalcorp.com/financials.cfm.

Our 2011 Annual Report to Shareholders, which includes a copy of our fiscal year 2011 Annual Report (excluding exhibits) as filed with the Securities and Exchange Commission, is being mailed to shareholders with this Proxy Statement.

We will provide additional copies of our fiscal year 2011 Annual Report, including the financial statements and financial statement schedules, without charge to any person to whom this Proxy Statement has been delivered if they so request. Requests should be directed to Investor Relations at the address or phone number provided on page 5 of this Proxy Statement.

We make available free of charge through our Internet website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, which is referred to herein as the Exchange Act, as well as reports on Forms 3, 4 and 5 filed by our directors and executive officers pursuant to Section 16 of the Exchange Act, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission. The information on our Internet website is not, and shall not be deemed to be, a part of this Proxy Statement or incorporated into any other filings we make with the Securities and Exchange Commission.

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PROPOSAL ONE

ELECTION OF DIRECTORS

In accordance with our Articles of Incorporation and Bylaws, the Board of Directors is divided into three classes. The term of office of one of the three classes of directors expires each year, and each class is elected for a three-year term.

The Compensation and Governance Committee has recommended to our Board of Directors, and our Board of Directors has approved, the two directors set forth below to be elected at the Annual Meeting for terms of three years. Seven other directors have previously been elected to terms expiring in 2012 or 2013, as indicated below. The following pages set forth certain information for each nominee and each incumbent director as of March 31, 2011, except as otherwise noted. All of the nominees and all of the incumbent directors listed below are directors previously elected by the shareholders. Each nominee has consented to being named in this Proxy Statement and to serve if elected. Mr. H. R. Stallard's current term expires at the annual meeting, and he will not stand for re-election as he has reached retirement age as set forth in our Corporate Governance Guidelines. This will result in one vacancy on the Board of Directors. Proposal Four below, if approved by shareholders, would reduce the range of directors from ten to sixteen to eight to sixteen, and the Board of Directors may consider whether to add additional directors to the Board of Directors after the Annual Meeting.

The election of each nominee for director requires the affirmative vote of the holders of a plurality of the shares of Common Stock cast in the election of directors. With a plurality vote, the nominees that receive the highest vote totals for the director positions up for election will be elected. Proxies cannot be voted for a greater number of persons than the number of nominees named in this Proxy Statement. Unless otherwise specified in the accompanying form of proxy, it is intended that votes will be cast for the election of all of the nominees as directors. If, at the time of the Annual Meeting, any nominee should be unavailable to serve as a director, it is intended that votes will be cast, pursuant to the enclosed proxy, for such substitute nominee as may be nominated by the Board of Directors. The Board of Directors has no reason to believe that any of the nominees will be unavailable. In lieu of designating a substitute nominee, however, the Board of Directors may adopt a resolution pursuant to our Articles of Incorporation to reduce the number of directors.

Set forth below is information concerning the age, principal occupation, employment and directorships during the past five years, positions with the Company of each nominee and director, the year in which he first became a director of the Company and his term of office as a director. Also set forth below is a brief discussion of the specific experience, qualifications, attributes or skills that led to the conclusion that each nominee and director should serve as a director as of the date of this Proxy Statement, in light of the Company's business and structure.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" PROPOSAL ONE.

Nominees for Election Whose Terms Expire in 2011

GEORGE C. FREEMAN, III, 48, has been our Chief Executive Officer since April 1, 2008, and our President since December 12, 2006. Mr. Freeman served as General Counsel and Secretary from February 1, 2001, until November 2005, and was elected Vice President in November 2005. He has been a director since November 7, 2007 and Chairman of the Board of Directors since August 5, 2008. He is Chairman of the Executive Committee and a member of the Finance Committee. Mr. Freeman became a director of Tredegar Corporation, a manufacturer of plastic films and aluminum extrusions, on May 24, 2011.

As Chairman of the Board, Mr. Freeman provides the Board of Directors with strong leadership and a considerable amount of experience. In addition, as our President and Chief Executive Officer, Mr. Freeman is able to communicate to and inform the Board about our day-to-day operations, customer issues, management issues and industry developments. The Board believes that Mr. Freeman's extensive knowledge of the industry, his financial expertise and his forward-looking thinking brings an invaluable perspective on our current operations and our ongoing relationships with customers and suppliers. Through Mr. Freeman's years of service with us and on the Board of Directors, he has developed extensive knowledge in the areas of leadership, risk oversight, management and corporate governance, each of which provides great value to the Board of Directors.

EDDIE N. MOORE, JR., 63, was the President of Virginia State University, a public research university, for more than five years. Upon retirement as President on July 1, 2010, he accepted a position as President Emeritus, a position which he continues to hold. Prior to assuming this position in 1993, Mr. Moore served as state treasurer for the Commonwealth of Virginia, heading the Department of the Treasury and serving on fifteen state boards and authorities. He is also a director of Owens & Minor, Inc. He is Chairman of the Audit Committee and a member of the Finance and Pension Investment Committees, and has been a director since 2000.

Mr. Moore's strong background in accounting and finance and his leadership experience gained through managing prominent educational institutions is valuable to the Board of Directors. Mr. Moore's experience in the public sector brings valuable perspectives and disciplines to the Board of Directors' deliberations and decision-making processes.

Incumbent Directors Whose Terms Expire in 2012

JOHN B. ADAMS, JR., 66, is President, Chief Executive Officer and a director of Bowman Companies, a private land development company, positions he has held for more than five years. He has also been a director of Fauquier Bankshares, Inc., a community bank, since 2003 and in January 2010 became Chairman of the board of directors. He is a member of the Audit Committee and the Finance Committee, and has been a director since 2003.

Having been a director of Fauquier Bankshares, Inc. since 2003, Mr. Adams brings extensive financial and banking experience to the Board of Directors. In addition, his experience as President, Chief Executive Officer and a director of Bowman Companies and his other leadership roles provides the Board of Directors with valuable leadership, business and operational experience.

ROBERT C. SLEDD, 58, is Managing Partner of Pinnacle Ventures, LLC, a venture capital firm, and Sledd Properties, LLC, an investment company. He was appointed in January 2010 as the Senior Economic Advisor to the Governor of Virginia. He served as Chairman of Performance Food Group Co. (“PFG”), a foodservice distribution company, from 1995 until June 2008. He served as Chief Executive Officer of PFG from 1987 to 2001 and from 2004 to 2006. He also serves on the board of directors of Owens & Minor, Inc., a distributor of national name-brand medical and surgical supplies and a healthcare supply chain management company, and Pool Corporation, a wholesale distributor of swimming pool supplies, equipment, and related leisure products. He is a member of the Audit Committee and the Pension Investment Committee, and has been a director since 2009.

Through Mr. Sledd’s prior experience serving as a former chief executive of a foodservice distribution company, he has gained extensive knowledge and understanding of the challenges faced by public companies. In addition, his experience in founding, expanding and taking public PFG provides the Board of Directors with a breadth of perspectives and ideas on matters of management, corporate governance and strategic growth. Having served on the board of directors of other publicly traded companies, he has gained further experience related to corporate governance matters in addition to experience in risk oversight and executive compensation.

EUGENE P. TRANI, 71, was the President of Virginia Commonwealth University, a public research university, for more than five years. Upon retirement as President on June 30, 2009, he accepted a position as a University Distinguished Professor at Virginia Commonwealth University, a position which he continues to hold. He also served as a director of LandAmerica, a title insurance holding company, from 1993 to 2009. Dr. Trani is a member of the Audit Committee and the Pension Investment Committee, and has been a director since 2000.

Dr. Trani is an experienced leader, having served as President of Virginia Commonwealth University for 19 years. He made a career at Virginia Commonwealth University managing people and budgets and developing and implementing strategic plans. In addition, through his prior service on the board of directors of LandAmerica, another publicly-traded company, he has developed experience in risk oversight, executive compensation and corporate governance.

Incumbent Directors Whose Terms Expire in 2013

CHESTER A. CROCKER, 69, is a professor of strategic studies at Georgetown University’s Walsh School of Foreign Service, a private research university, and a member of the Board of Directors of the United States Institute of Peace, an independent federal institution. He has held these positions for more than five years. He serves as Chairman of the Board of Directors for G3 Good Governance Holdings Ltd., a business consulting company, a director of Bell Pottinger Communications USA, LLC, a communications and public affairs consulting company, and he was a director of ASA Limited from 1996 to 2008. He is a member of the Finance Committee and the Pension Investment Committee, and has been a director since 2004.

Through Dr. Crocker's service on the boards of directors within several privately-held companies, the Federal government and the not-for-profit sector, he has developed business, leadership and administrative experience, which is valuable to the Board of Directors. Dr. Crocker's extensive African experience and expertise, his service as international political risk adviser to corporations and his familiarity with non-U.S. origins of relevance to the Company provide the Board of Directors with a valuable perspective during discussions relating to international issues. In addition, through his prior service on the board of directors of another publicly-traded company, he has developed experience in risk oversight, executive compensation and corporate governance that is valuable to the Board of Directors.

CHARLES H. FOSTER, JR., 68, retired as Chairman of LandAmerica Financial Group, Inc. ("LandAmerica") in December 2006. He had served as Chairman and Chief Executive Officer at LandAmerica from October 1991 through December 2005. He is Chairman of the Finance Committee, a member of the Executive Committee and the Compensation and Governance Committee, and has been a director since 1995.

Mr. Foster is an experienced leader, having previously served as Chairman of the Board of Directors and Chief Executive Officer of LandAmerica, and as a member of the Board of other publicly-traded companies. With the tenure of this past executive and board position, he has experience in risk oversight, executive compensation and corporate governance that is valuable to the Board of Directors. He also gained extensive experience complying with the various regulatory and governance requirements to which LandAmerica was subject, both within its industry and as a publicly-traded company.

THOMAS H. JOHNSON, 61, has been Managing Partner of THJ Investments, L.P., a private investment firm, from November 2005 to the present. Since 2008, he has also served as Chief Executive Officer of Taffrail Group, LLC, a business consulting firm. Mr. Johnson retired as Chairman and Chief Executive Officer of Chesapeake Corporation ("Chesapeake"), a specialty packaging company, in November 2005, after which he served as Vice Chairman until April 2006. From 2004 until his retirement, Mr. Johnson was Chairman and Chief Executive Officer of Chesapeake and, from 2000 to 2004, he was Chairman, President, and Chief Executive Officer of Chesapeake. Mr. Johnson is also a director of Coca Cola Enterprises, Inc., a marketer, producer and distributor of Coca-Cola products; Gen On Corporation, a producer of electricity; and ModusLink Global Solutions, Inc., a supply chain business process management company. He was also a director of Superior Essex, Inc., a manufacturer of wire and cable products, from December 7, 2005 to August 7, 2008. He is a member of the Executive Committee and the Compensation and Governance Committee and has been a director since 2001.

Mr. Johnson's more than 15 years of experience as a chief executive of several large corporations and extensive service on the boards of multinational corporations provides the Board of Directors a valuable perspective on governance best practices and executive leadership. Through these executive management experiences, Mr. Johnson brings investment, manufacturing and distribution expertise to bear on his service as a member of the Board of Directors, and also has extensive international management experience in Europe and Asia. Mr. Johnson's service on the board of directors of other public companies, including such companies' audit, nominating and governance, and compensation and governance committees, provides our Board of Directors with financial, operational and strategic expertise.

JEREMIAH J. SHEEHAN, 72, retired as Chairman of the Board and Chief Executive Officer of Reynolds Metals Company, an aluminum and aluminum foil producer, in 2000, having served in those positions since 1996. Mr. Sheehan currently serves as our Lead Independent Director and is Chairman of the Compensation and Governance Committee, a member of the Audit Committee and the Executive Committee, and has been a director since 1998.

Mr. Sheehan brings extensive business, leadership and administrative experience from his tenure as Chairman of the Board of Directors and Chief Executive Officer of Reynolds Metals Company, which is valuable to the Board of Directors. Having served on the Board of Directors since 1998, he provides a wealth of knowledge concerning the Company to the Board of Directors.

Incumbent Director Whose Term Expires in 2011 and is Retiring

HUBERT R. STALLARD, 74, retired as President and Chief Executive Officer of Bell-Atlantic Virginia, Inc., a telecommunications company, now known as Verizon Virginia Inc., in 2000. Mr. Stallard is Chairman of the Pension Investment Committee, a member of the Executive Committee and the Compensation and Governance Committee, and has been a director since 1991.

Mr. Stallard brought extensive business, leadership and administrative experience from his tenure as Chief Executive Officer of Bell-Atlantic, Inc., which was valuable to the Board of Directors. In addition, at Bell-Atlantic, Inc., he gained valuable experience resolving financial and accounting issues related to company financial reports, Securities and Exchange Commission filings and State Corporation Commission filings. Having served on our Board of Directors since 1991, he provided a wealth of knowledge concerning the Company to the Board of Directors.

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STOCK OWNERSHIP

Principal Shareholders

The following table sets forth as of June 15, 2011, certain information with respect to the beneficial ownership of shares of Common Stock by each person or group we know to beneficially own more than 5% of the outstanding shares of such stock.

Name and Address of Beneficial Owner	Number of Shares (#)		Percent of Class(1) (%)	
BlackRock, Inc. 40 East 52nd Street New York, New York 10022	3,974,367	(2)	17.1	%
State Street Corporation State Street Financial Center One Lincoln Street Boston, Massachusetts 02111	2,383,447	(3)	10.3	%
Allianz Global Investors Capital LLC 600 West Broadway, Suite 2900 San Diego, California 92101 NFJ Investment Group LLC 2100 Ross Avenue, Suite 700 Dallas, Texas 75201	1,741,600	(4)	7.5	%
Artisan Partners Holdings LP Artisan Investment Corporation Artisan Partners Limited Partnership Artisan Investments GP LLC ZFIC, Inc. Andrew A. Ziegler Carlene M. Ziegler 875 East Wisconsin Avenue, Suite 800 Milwaukee, Wisconsin 53202	1,466,286	(5)	6.3	%
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, Texas 78746	1,465,021	(6)	6.3	%

(1) The percentages shown in the table are based on 23,229,712 shares of Common Stock outstanding on June 15, 2011.

(2) As reported on a Schedule 13G/A filed with the Securities and Exchange Commission on January 10, 2011. The amended Schedule 13G indicates that BlackRock, Inc., acting as a parent holding company, reported that it held sole voting and dispositive power over 3,974,367 shares of Common Stock.

(3) As reported on a Schedule 13G/A filed with the Securities and Exchange Commission on April 11, 2011. The amended Schedule 13G indicates that State Street Corporation, acting as a parent holding company, has the sole voting and dispositive power over its shares of Common Stock.

(4) As reported on an amended Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2011 by Allianz Global Investors Capital LLC ("AGIC"), a parent holding company and its subsidiary, NFJ Investment Group LLC ("NFJ"), an investment adviser, AGIC had sole voting power over no shares of Common Stock, shared voting power over no shares of Common Stock, sole dispositive power over no shares of Common Stock and shared dispositive power over no shares of Common Stock, and NFJ had sole voting power over 1,723,300 shares of Common Stock, shared voting power over no shares of Common Stock, sole dispositive power over 1,741,600 shares of Common Stock and shared dispositive power over no shares of Common Stock.

(5) As reported on a Schedule 13G filed with the Securities and Exchange Commission on February 10, 2011. The Schedule 13G indicates that each of Artisan Partners Holdings LP, Artisan Investment Corporation, Artisan Partners Limited Partnership, Artisan Investments GP LLC, ZFIC, Inc., Andrew A. Ziegler and Carlene M. Ziegler have sole voting power over no shares of Common Stock, shared voting power over 1,405,886 shares of Common Stock, sole dispositive power over no shares of Common Stock and shared dispositive power over 1,466,286 shares of Common Stock.

(6) As reported on an amended Schedule 13G/A filed with the Securities and Exchange Commission on February 11, 2011. The amended Schedule 13G indicates that Dimensional Fund Advisors L.P., in its capacity as investment adviser to certain commingled group trusts and separate accounts, has the sole power to dispose of and to vote the shares of Common Stock that are owned by such companies, trusts and accounts.

Directors and Executive Officers

The following table sets forth as of June 15, 2011, certain information with respect to the beneficial ownership of shares of Common Stock by (i) each director or nominee (each of whom is currently a director), (ii) each executive officer listed in the "Summary Compensation Table", who we refer to as the "named executive officers", and (iii) all current directors and executive officers as a group.

Name of Beneficial Owner	Number of Shares(1),(2) (#)	Percent of Class(3) (%)	
John B. Adams, Jr.	18,911	*	
W. Keith Brewer	68,131	*	
William J. Coronado	41,373	*	
Chester A. Crocker	8,250	*	
Charles H. Foster, Jr.	19,050	*	
George C. Freeman, III	163,031	*	
Thomas H. Johnson	17,150	*	
David C. Moore	91,215	*	
Eddie N. Moore, Jr.	22,324	*	
Ray M. Paul, Jr.	55,509	*	
Jeremiah J. Sheehan	30,061	*	
Robert C. Sledd	1,950	*	
Hubert R. Stallard	26,984	*	
Eugene P. Trani	24,803	*	
All current directors and executive officers as a group (19 persons)	733,426	3.2	%

* Percentage of ownership is less than 1% of the outstanding shares of Common Stock.

(1) The number of shares of Common Stock shown in the table includes shares that certain of our directors and executive officers had the right to acquire through the exercise of stock options or SARs within 60 days following June 15, 2011, and are in the following amounts: 4,000 shares to Mr. Adams, 51,133 shares to Mr. Brewer, 28,886 shares to Mr. Coronado, no shares to Mr. Crocker, 4,000 shares to Mr. Foster, 123,481 shares to Mr. Freeman, 2,000 shares to Mr. Johnson, 57,000 shares to Mr. D. Moore, 6,000 shares to Mr. E. Moore, 31,934 shares to Mr. Paul, 7,000 shares to Mr. Sheehan, no shares to Mr. Sledd, 6,000 shares to Mr. Stallard, 6,000 shares to Mr. Trani and 117,997 shares to other current executive officers not individually listed in the table.

(2) No executive officers or directors have pledged shares of Common Stock as security.

(3) The percentages shown in the table are based on 23,229,712 shares of Common Stock outstanding on June 15, 2011.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and executive officers are required under Section 16(a) of the Exchange Act to file reports of ownership and changes in ownership of Common Stock with the Securities and Exchange Commission. Copies of those reports must also be furnished to us.

Based solely on a review of the copies of reports furnished to us and the written representations of our directors and executive officers, we believe that, during fiscal year 2011, all filing requirements applicable to directors and executive officers were satisfied.

CORPORATE GOVERNANCE AND COMMITTEES

General

Our business and affairs are managed under the direction of the Board of Directors in accordance with the Virginia Stock Corporation Act and our Articles of Incorporation and Bylaws. Members of the Board of Directors are kept informed of our business through discussions with the Chairman, President, and Chief Executive Officer and other officers, by reviewing materials provided to them and by participating in meetings of the Board of Directors and its committees. The corporate governance practices we follow are summarized below.

Corporate Governance Guidelines

The Board of Directors has adopted written Corporate Governance Guidelines that set forth the practices of the Board of Directors with respect to the qualification and selection of directors, director orientation and continuing education, director responsibilities, Board of Directors composition and performance, director access to management and independent advisors, director compensation, management evaluation and succession, evaluation of the Board of Directors' performance and various other issues. The Corporate Governance Guidelines are available to shareholders and the public free of charge under the "Corporate Governance" section of our Internet website at http://investor.universalcorp.com/governance.cfm. A printed copy is available to any shareholder free of charge upon written request directed to Investor Relations at the address provided on page 5 of this Proxy Statement.

Code of Conduct

The Board of Directors has adopted a written Code of Conduct applicable to our directors, officers and employees and the directors, officers and employees of each of our subsidiaries and controlled affiliates. The Code of Conduct satisfies the NYSE requirements for a "Code of Business Conduct and Ethics" and the Securities and Exchange Commission definition of a "Code of Ethics for Senior Financial Officers." The Code of Conduct addresses such topics as protection and proper use of company assets, compliance with applicable laws and regulations, accuracy and preservation of records, accounting and financial reporting, conflicts of interest and insider trading. The Code of Conduct is available to shareholders and the public free of charge on our Internet website at http://www.universalcorp.com/Compliance/. A printed copy is available to any shareholder free of charge upon written request directed to Investor Relations at the address provided on page 5 of this Proxy Statement.

Director Independence

The Board of Directors, in its business judgment, has determined that each member of the Board of Directors except Mr. Freeman, our Chairman, President, and Chief Executive Officer, is independent as defined by the NYSE listing standards and our Corporate Governance Guidelines. In reaching this conclusion and as set forth in the independence standards of our Corporate Governance Guidelines, the Board of Directors evaluated each director in light of the specified independence tests set forth in the NYSE listing standards. In addition, the Board of Directors considered whether we and our subsidiaries conduct business and have other relationships with organizations of which certain members of the Board of Directors or members of their immediate families are or were directors or officers. There has been no such business or relationships for the past three fiscal years.

Executive Sessions

The independent directors of the Board of Directors meet in executive session at least annually without management or employee directors present. The independent directors designate the Lead Independent Director, who is responsible for presiding over the executive sessions of the independent directors. For fiscal year 2011, the independent directors designated Mr. Sheehan as the Lead Independent Director. The Lead Independent Director is responsible for advising the Chairman, President, and Chief Executive Officer of the outcome of any decisions reached or suggestions made at these sessions. Executive sessions where non-employee directors meet on an informal basis may be scheduled either before or after each regularly scheduled Board of Directors meeting.

Communications with Directors

Interested parties may at any time direct communications to the Board of Directors as a whole, to the director who presides at the executive sessions of the non-employee directors, or to any individual member of the Board of Directors, through our Internet website or by contacting our Secretary. The "Corporate Governance – Contact the Board" section of our Internet website at http://investor.universalcorp.com/contactboard.cfm contains an e-mail link established for receipt of communications with directors, and communications can also be delivered by mail by sending requests to our Secretary at Universal Corporation, P. O. Box 25099, Richmond, Virginia 23260, Attention: Secretary.

Shareholders making such communications are encouraged to state that they are shareholders and provide the exact name in which their shares of Common Stock are held and the number of shares held. Each individual communicating with the Board of Directors will receive a written acknowledgement from or on behalf of our Secretary after receipt of the communication sent in the manner described above. After screening such communications for issues unrelated to shareholder interests, our Secretary will distribute communications to the intended recipient(s) as appropriate. The process for such screening has been approved by our non-employee directors.

Board and Committee Meeting Attendance

During fiscal year 2011, there were five meetings of the Board of Directors. Each director attended 75% or more of the total number of meetings of the Board of Directors and of the committees on which he served.

Board Leadership Structure and Role in Risk Oversight

Board Leadership Structure

The Board of Directors does not have a policy on whether or not the role of the Chief Executive Officer and Chairman should be separate or, if it is to be separate, whether the Chairman should be selected from the non-employee directors or be an employee. Currently, we operate with one individual, Mr. Freeman, serving as Chairman of the Board, President, and Chief Executive Officer. Mr. Freeman was elected by the Board of Directors as President on December 12, 2006, Chief Executive Officer on April 1, 2008 and Chairman of the Board on August 5, 2008. Prior to his election as our President and Chief Executive Officer, Mr. Freeman served as our General Counsel and Secretary from February 1, 2001 until November 2005, when he was elected Vice President. The Board of Directors believes that because Mr. Freeman has unique and extensive experience and understanding of our business, he is well situated to lead and execute strategy and business plans to maximize shareholder value by having a combined role of Chairman of the Board, President, and Chief Executive Officer.

The Company's Corporate Governance Guidelines permit the individual who serves as Chief Executive Officer to serve as Chairman of the Board of Directors. In order to ensure that independent directors continue to play a leading role in our governance, however, the Board of Directors established the position of a Lead Independent Director in our Corporate Governance Guidelines. Mr. Sheehan currently serves as our Lead Independent Director. The Lead Independent Director is elected by the independent directors and ensures that (i) the Board of Directors operates independently of management and (ii) directors and shareholders have an independent leadership contact. The Lead Independent Director, who must satisfy our independence standards, is responsible for presiding over the executive sessions of the independent directors and performing such other duties as may be delegated to the position by the Board of Directors. The Lead Independent Director also has the following additional roles and responsibilities:

- chair Board of Directors meetings when the Chairman of the Board of Directors is not present or when there is a potential conflict of interest;

- call meetings and set agendas for executive sessions of the independent directors;

- preside over meetings of the independent Board members and, as appropriate, provide prompt feedback to the Chief Executive Officer and Chairman;

- serve as a liaison between the independent directors and the Chief Executive Officer and Chairman of the Board of Directors and senior management to report or raise matters;

- serve as a "sounding board" and mentor to the Chief Executive Officer and Chairman of the Board of Directors; and

- perform such other duties and responsibilities as may be delegated to the Lead Independent Director by the Board of Directors from time to time.

The Board of Directors also has five standing committees: the Audit Committee, the Compensation and Governance Committee, the Finance Committee, the Pension Investment Committee and the Executive Committee. Each committee has a separate chairperson and each of the Audit and Compensation and Governance Committees are composed solely of independent directors.

Given our current circumstances, relative size and operating strategies, we believe having a combined Chairman of the Board of Directors and Chief Executive Officer, as well as having a Lead Independent Director and independent standing Board committees, is the most appropriate structure for us and our shareholders. We believe this structure demonstrates clear leadership to our employees, shareholders and other interested parties and eliminates potential for redundancies and confusion. The Lead Independent Director protects the role of the independent directors by providing leadership to the independent directors and working closely with the Chairman of the Board of Directors and Chief Executive Officer.

As part of the Board of Directors' annual assessment process, the Board of Directors evaluates our board leadership structure to ensure that it remains appropriate for us. The Board of Directors recognizes that there may be circumstances in the future that would lead it to separate the roles of Chief Executive Officer and Chairman of the Board of Directors, but believes that the absence of a policy requiring either the separation or combination of the roles of Chairman and Chief Executive Officer provides the Board of Directors with the flexibility to determine the best leadership structure for us.

Board of Directors' Role in Risk Oversight

The Board of Directors is responsible for our risk oversight. Management is responsible for our risk management, including providing oversight and monitoring to ensure our policies are carried out and processes are executed in accordance with our performance goals and risk tolerances. In carrying out its risk oversight function, the Board of Directors has five standing committees: the Audit; Compensation and Governance; Finance; Pension Investment; and Executive Committees that are each responsible for risk oversight within such committee's area of responsibility and regularly report to the Board of Directors. In addition, management holds regular meetings in which they identify, discuss and assess financial risk from current macro-economic, industry and company specific perspectives.

The Audit Committee charter provides that the Audit Committee is responsible for discussing with management, the independent registered public accounting firm and the internal auditors our policies and procedures with respect to risk assessment and risk management. As part of its regular reporting process, management reports and reviews with the Audit Committee our material risks, including (i) proposed Risk Factors and other public disclosures, and (ii) mitigation strategies and our internal controls over financial reporting. The Audit Committee also engages in regular periodic discussions with the Chief Financial Officer and other members of management regarding risks as appropriate.

The Finance Committee charter provides that the Finance Committee assists the Board of Directors in control of the Company's financial policies and resources and monitors our financial strategic direction. As part of its responsibilities, the Finance Committee oversees our financial policies, including financial risk management, and reviews and approves significant financial policies and transactions.

In addition to the Audit Committee and Finance Committee, each of the other committees of the Board of Directors considers risks within its area of responsibility. The Compensation and Governance Committee considers succession planning, human resources risks, corporate governance risks and risks that may be a result of our executive compensation programs. In addition, the Pension Investment Committee has oversight of the investments in the Company's ERISA - regulated pension and savings plans. Each of the Committees regularly reports to the Board of Directors.

We believe the current leadership structure of the Board of Directors supports the risk oversight functions described above by providing independent leadership at the committee level, with ultimate oversight by the full Board of Directors as led by the Chairman of the Board of Directors and Chief Executive Officer and the Lead Independent Director.

Committees of the Board

The standing committees of the Board of Directors are the Audit Committee; the Executive Committee, the Compensation and Governance Committee; the Finance Committee; and the Pension Investment Committee.

Audit Committee

The responsibilities of the Audit Committee include the review of the scope and the results of the work of the independent registered public accounting firm and internal auditors, the review of the adequacy of internal accounting controls, and the selection, appointment, compensation, and oversight of our independent registered public accounting firm. The Audit Committee operates under a written charter last amended by the Board of Directors on April 20, 2009. The Audit Committee's charter is available under the "Corporate Governance" section of our Internet website at http://investor.universalcorp.com/governance.cfm.

The members of the Audit Committee are Messrs. E. Moore (Chairman), Adams, Sheehan, Sledd and Trani. The Board of Directors has determined that each of the Audit Committee members is independent as defined under the applicable independence standards set forth in regulations of the Securities and Exchange Commission and the NYSE listing standards. The Board of Directors has also determined that all of the Audit Committee members are financially literate as defined by the NYSE listing standards. In accordance with the applicable regulations of the Securities and Exchange Commission, the Board of Directors has further determined that the Audit Committee contains at least one "audit committee financial expert" as defined by such regulations. That person is Mr. E. Moore, the Chairman of the Audit Committee. The fact that the Board of Directors did not identify additional Audit Committee members as "audit committee financial experts" does not in any way imply that other members do not meet that definition.

The Audit Committee met eight times during fiscal year 2011. Additional information with respect to the Audit Committee is discussed below in the section entitled "Audit Information" on page 67 of this Proxy Statement.

Executive Committee

The Executive Committee has the authority to act for the Board of Directors on most matters during the intervals between Board of Directors meetings. The members of the Executive Committee are Messrs. Freeman (Chairman), Foster, Johnson, Sheehan and Stallard. The Executive Committee met four times during fiscal year 2011.

Compensation and Governance Committee

The members of the Compensation and Governance Committee are Messrs. Sheehan (Chairman), Foster, Johnson and Stallard.

The Compensation and Governance Committee performs the responsibilities of the Board of Directors relating to compensation of our executives. The Compensation and Governance Committee's responsibilities include reviewing and setting or approving corporate goals and objectives relevant to compensation of the Chief Executive Officer and other executive officers, evaluating the performance of the Chief Executive Officer and our other executive officers in light of those goals and objectives, and determining and approving compensation levels for the Chief Executive Officer and our other executive officers based on this evaluation; making recommendations to the Board of Directors with respect to annual and long-term incentive compensation plans; evaluating the performance of, and determining the salaries, incentive compensation, and executive benefits for senior management; and administering our equity-based and other executive compensation plans.

The Chairman of the Compensation and Governance Committee works with our Chief Financial Officer to establish the agenda for Compensation and Governance Committee meetings. The Chief Financial Officer and management personnel reporting to him prepare data and materials for review by the Compensation and Governance Committee using market data from both broad-based and targeted national and regional compensation surveys. Competitive industry analysis is enhanced through review of peer company proxy data, professional research consortiums, and nationally recognized compensation databases provided by the Compensation and Governance Committee's external compensation consultant.

The Compensation and Governance Committee periodically meets with the Chief Financial Officer and other members of executive management in order to assess progress toward meeting long-term objectives approved by the Board of Directors. The Compensation and Governance Committee reviews the performance and compensation of the Chief Executive Officer with input from both the full Board of Directors and the Chief Executive Officer's self evaluation. The Compensation and Governance Committee approves the compensation of the other executive officers, based upon the evaluation and recommendation of the Chief Executive Officer. Where it deems appropriate, the Compensation and Governance Committee engages its independent compensation consultant or other appropriate advisors to analyze compensation trends and competitiveness of pay packages and to support the Compensation and Governance Committee's duty to establish each of the executive officers' targeted overall compensation levels.

The Compensation and Governance Committee reports regularly to the Board of Directors on matters relating to the Compensation and Governance Committee's responsibilities. In addition, the Compensation and Governance Committee follows regulatory and legislative developments and considers corporate governance best practices in performing its duties. For additional information regarding the compensation-related activities of the Compensation and Governance Committee, see the sections entitled "Compensation Discussion and Analysis" and "Report of Executive Compensation, Nominating, and Corporate Governance Committee" beginning on pages 18 and 33 of this Proxy Statement, respectively.

The Board of Directors has determined that the members of the Compensation and Governance Committee are "non-employee directors" (within the meaning of Rule 16b-3 of the Exchange Act), "outside directors" (within the meaning of Section 162(m) of the Internal Revenue Code) and "independent directors" (as defined under the applicable NYSE listing standards and our Corporate Governance Guidelines). In addition, no Compensation and Governance Committee member is a current or former employee of ours or any of our subsidiaries. While the Compensation and Governance Committee's charter does not specify qualifications required for members, Messrs. Sheehan, Foster, Johnson and Stallard have each been members of other public company boards of directors and are each former chief executive officers of public companies. The Compensation and Governance Committee met four times during fiscal year 2011.

In performing its responsibilities with respect to executive compensation decisions, the Compensation and Governance Committee receives information and support from the Company's Human Resources Department and a nationally-recognized executive compensation consultant. For fiscal year 2011, Towers Watson & Co., whom we refer to as Towers Watson, served as an independent, executive compensation consultant to the Compensation and Governance Committee and received aggregate fees for fiscal 2011 of approximately $49,000. Management does not engage an outside compensation consultant and did not engage Towers Watson to provide any other services to the Company. For more information with respect to the Compensation and Governance Committee's compensation consultant, see "Compensation Discussion and Analysis" beginning on page 18 of the Proxy Statement.

The Compensation and Governance Committee also acts as our nominating committee. The Compensation and Governance Committee develops qualifications for director candidates, recommends to the Board of Directors persons to serve as directors, and monitors developments in, and makes recommendations to the Board of Directors concerning, corporate governance practices. The Compensation and Governance Committee operates under a written charter last amended by the Board of Directors on April 16, 2010. The Compensation and Governance Committee's charter is available under the "Corporate Governance" section of our Internet website at http://investor.universalcorp.com/governance.cfm.

The Compensation and Governance Committee employs several methods for identifying and evaluating director nominees. The Compensation and Governance Committee considers candidates for Board of Directors membership suggested by its members and by management, and the Compensation and Governance Committee will also consider candidates suggested informally by our shareholders. The Compensation and Governance Committee periodically assesses whether any vacancies on the Board of Directors are expected due to retirement or otherwise and in the event that vacancies are anticipated, the Compensation and Governance Committee considers possible director candidates. The Compensation and Governance Committee may also retain a third-party executive search firm to identify candidates upon request of the Compensation and Governance Committee from time to time based upon the director membership criteria described in the Corporate Governance Guidelines. Shareholders entitled to vote for the election of directors may submit candidates for formal consideration by the Compensation and Governance Committee in connection with an Annual Meeting if we receive timely written notice, in proper form, for each such recommended director nominee. If the notice is not timely and in proper form, the nominee will not be considered by the Compensation and Governance Committee. To be timely for the 2012 Annual Meeting, the notice must be received within the time frame set forth in the section entitled "Proposals for 2012 Annual Meeting" on page 69 of this Proxy

Statement. To be in proper form, the notice must include each nominee's written consent to be named as a nominee and to serve if elected, and information about the shareholder making the nomination and the person nominated for election. These requirements are more fully described in our Bylaws and Corporate Governance Guidelines.

The Compensation and Governance Committee evaluates all director candidates in accordance with the director membership criteria described in the Corporate Governance Guidelines. The Compensation and Governance Committee does not differentiate between Board of Directors candidates submitted by Board of Directors members or those submitted by shareholders with respect to evaluating candidates. All Board of Directors candidates are considered based upon various criteria, such as their broad-based business skills and experience, prominence and reputation in their profession, their global business and social perspective, concern for the long-term interests of the shareholders, knowledge of our industry or related industries, diversity, and personal and professional integrity, ethics, and judgment — all in the context of an assessment of the perceived needs of the Board of Directors at that point in time. Because the needs of the Board of Directors change from time to time, the Compensation and Governance Committee evaluates the totality of the merits of each prospective nominee that it considers and has not established specific minimum qualifications that must be met by potential new directors. The Board of Directors, however, believes that as a matter of policy there should be a substantial majority of independent directors on the Board of Directors.

It also is important to the Compensation and Governance Committee that the members of the Board of Directors work together in a cooperative fashion. When considering a director standing for re-election as a nominee, in addition to the attributes described above, the Compensation and Governance Committee also considers that individual's past contribution and future commitment to us. The Compensation and Governance Committee will also seek to ensure that the Board of Directors, and consequently the Audit Committee, have at least three independent members that satisfy the NYSE financial and accounting experience requirements and at least one member who qualifies as an audit committee financial expert.

After completing potential director nominees' evaluations, the Compensation and Governance Committee makes a recommendation to the full Board of Directors as to the persons who should be nominated by the Board of Directors, and the Board of Directors determines the nominees after considering the recommendation and report of the Compensation and Governance Committee. There is no difference in the manner by which the Governance and Nominating Committee evaluates prospective nominees for director based upon the source from which the individual was first identified.

Messrs. Freeman and E. Moore were each recommended by the Compensation and Governance Committee for nomination for election at the Annual Meeting as directors to serve a three-year term until their respective successors are elected and qualified, or until their earlier resignation or removal. The Compensation and Governance Committee did not receive any Board of Director recommendations from any shareholder in connection with the Annual Meeting.

Finance Committee

The Finance Committee has the responsibility of establishing our financial policies and controlling our financial resources. The members of the Finance Committee are Messrs. Foster (Chairman), Adams, Crocker, Freeman and E. Moore. The Finance Committee met once during fiscal year 2011.

Pension Investment Committee

The Pension Investment Committee establishes the investment policies, selects investment advisors and portfolio managers, and monitors the performance of investments of the retirement plans and other qualified employee benefit plans of Universal Leaf Tobacco Company, Incorporated, which we refer to as Universal Leaf, and our other U.S. subsidiaries. The members of the Pension Investment Committee are Messrs. Stallard (Chairman), Crocker, E. Moore, Sledd and Trani. The Pension Investment Committee met four times during fiscal year 2011.

Annual Meeting Attendance

We expect and encourage each member of the Board of Directors to attend our Annual Meetings when it is reasonably practical for the director to do so. All of the directors attended the 2010 Annual Meeting.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Universal Corporation is the leading global tobacco merchant and processor. The largest portion of the Company's business involves the procurement, processing, packing and supply of leaf tobacco to manufacturers of tobacco products. As such, our business is subject to risks including changes in general economic, political, market, and weather conditions, government regulation, and fluctuations in foreign exchange rates. Our executive compensation program, therefore, reflects a strong tie of pay to performance in order to link the interests of executive officers to the interests of shareholders and promote the creation of long-term shareholder value.

We achieved strong results for fiscal year 2011, particularly in light of the challenging market conditions that we faced and in comparison to last year's record performance. Fiscal year 2011 produced diluted earnings per share of $5.42, down about 5% from last year's record earnings of $5.68 per diluted share. In addition, net income for fiscal year 2011 was $156.6 million compared to $168.4 million for fiscal year 2010. Executive annual incentives earned for fiscal year 2011 were 144.86% of target opportunities, reflecting this strong performance. These annual incentives were down in comparison to the 194.55% earned for fiscal year 2010. The Compensation and Governance Committee significantly increased the performance targets at the outset of fiscal year 2011 to ensure that these performance goals were sufficiently challenging under the then-current operating environment.

The Compensation and Governance Committee, Board of Directors and management of Universal take pride in our performance-based compensation program and remain committed to maintaining the integrity of the program in good times and bad. We believe that the proportion of at-risk, performance-based compensation should rise as an employee's level of responsibility increases. To this end, our executive compensation program primarily consists of moderate base salary and variable at-risk annual cash and equity incentive awards. We do not provide our executives with many of the types of perquisites that other companies offer their executives, such as personal use of corporate aircraft, vehicle allowances or reimbursement of membership dues in social organizations. We also do not offer our executives employment, severance or retention agreements, and we do not utilize excise tax gross-ups or other tax reimbursements.

Compensation and Governance Committee Activities in Fiscal Year 2011

In fiscal year 2011, the Compensation and Governance Committee reviewed the existing mix, form and calibration of the executive compensation programs and confirmed its commitment to the principles and structure it followed during fiscal year 2010. In fiscal year 2009, the Compensation and Governance Committee modified components of some of those programs to reflect changes in the rules and regulations applicable to such components and to ensure that the components were in line with market medians. These modifications continued in place for fiscal year 2011. Some of the significant actions the Compensation and Governance Committee undertook in fiscal year 2011 included:

- Reaffirming its objective of setting total direct compensation (including base salary, annual cash incentive awards, and long-term equity awards) for our executives at levels competitive with the market median for executives in comparable positions at companies of comparable size, complexity, and operational characteristics;

- Evaluating the mix of pay to ensure that the appropriate balance among base salary, annual cash incentives, and long-term performance-based award opportunities is maintained;

- Benchmarking fiscal year 2010 executive and director compensation and using new peer group data to assist in better aligning compensation with the 50th percentile of the market, where appropriate, taking into consideration recent changes in senior management;

- Reviewing the performance targets and calibration ranges for economic profit and adjusted earnings per share to reflect current and anticipated business conditions and to ensure adequate performance stretch in the annual incentive plan goals;
- Electing to terminate, beginning with fiscal year 2011, the annual payment under the 1996 Benefit Restoration Plan to a participant's trust based on the additional benefit accrued for a participant for the previous calendar year;
- Electing to discontinue future Company contributions to executive insurance policies for all active participants thereby restoring the coverage provided to named executive officers to the Company's standard group life insurance program;
- Amending the benefit replacement and benefit restoration plans relative to death benefits to further ensure that any benefits payable under these plans are consistent with benefits payable under the qualified defined benefit pension plan;

- Reaffirming that stock-settled, stock appreciation rights, which we refer to as SARs, 5-year restricted stock units and 3-year performance-based stock units, which we refer to as Performance Shares, are appropriate forms of long-term incentive awards. The Performance Shares, if earned over a three-year period, will be paid out in shares of Common Stock;

- Reaffirming the stock ownership guidelines that were revised in fiscal year 2008 to higher levels for all of our officers and the officers of our main operating subsidiary, Universal Leaf, with a title of Senior Vice President or above, and monitoring our executive officers' compliance with the guidelines;

- Reaffirming stock ownership guidelines for the non-employee directors; and

- Reaffirming the "clawback" provision in our performance-based awards with respect to ethical misconduct or material restatements of financial results, in part to address the potential recovery or adjustment of awards in instances where the performance measures on which they were based are restated in a manner that would have decreased the amount of the award.

The Compensation and Governance Committee reports regularly to the Board of Directors on matters relating to the Compensation and Governance Committee's responsibilities. In addition, the Compensation and Governance Committee follows regulatory and legislative developments and considers corporate governance best practices in performing its duties.

Guiding Philosophy

The goal of our executive compensation and benefits program is to attract, motivate, reward and retain the management talent required to achieve our business objectives, at compensation levels that are fair, equitable and competitive with those of comparable companies. This goal is furthered by the Compensation and Governance Committee's policy of linking compensation to individual and corporate performance and by encouraging significant stock ownership by senior management in order to support our business strategy and align the financial interests of management with those of the shareholders.

In addition to the stated goal of our executive compensation and benefits program, the following objectives serve as guiding principles for all compensation decisions:

- Compensation should be set based on the responsibilities, skills, experience and achievements of each executive officer, taking into account competitive market rates;

- Compensation should be linked to individual and corporate performance by aligning our executive compensation program to company-wide performance, which we define in terms of economic performance and increases in shareholder value;

- There should be an appropriate mix and weighting among base salary, cash incentives and equity awards, such that an adequate amount of each executive officer's total compensation is performance-based or "at risk." Further, as an executive's responsibilities increase, the portion of "at risk" compensation for the executive should increase as a percentage of total compensation;

- Compensation should avoid any arrangements that pay for failure;

- Strong emphasis should be placed on equity-based compensation and equity ownership in order to align the financial interests of senior management with those of the shareholders and to ensure the proper focus on long-term business strategies; and

- Compensation goals and objectives should be transparent and easy to communicate, both internally and externally. Shareholders should be supplied with clear, comprehensive compensation disclosure.

The Compensation and Governance Committee also believes that the various elements of our compensation program effectively achieve the objective of aligning compensation with performance measures that are directly related to the Company’s financial goals and creation of shareholder value, without encouraging executives to take unnecessary and excessive risks.

Retaining Experts to Aid in Discharge of Duties

The Compensation and Governance Committee has sole authority to retain experts, consultants and other advisors to aid in the discharge of its duties. The Compensation and Governance Committee meets privately with its independent outside advisor from time to time without management present to discuss developments and best practices in executive compensation matters. All work completed by the outside advisor, whether for the Compensation and Governance Committee or management, is subject to the approval of the Compensation and Governance Committee. The outside advisor's role with the Compensation and Governance Committee is to provide independent advice and counsel. The Compensation and Governance Committee has considered the independence factors specified under The Wall Street Reform and Consumer Protection Act of 2010 and believes that Towers Watson qualifies as being fully independent. The Compensation and Governance Committee does not delegate authority to its outside advisor or to other parties.

For fiscal year 2011, Towers Watson continued to serve as the Compensation and Governance Committee's independent outside advisor. Towers Watson's role as outside advisor is to review the analyses and recommendations prepared by the Compensation and Governance Committee and management and to provide alternative market data and guidance on policy development and administration. To maintain the independence of the outside advisor, management is not permitted to use Towers Watson without the prior approval of the Compensation and Governance Committee. Towers Watson participated in Compensation and Governance Committee meetings during fiscal year 2011, reviewed materials in advance and provided to the Compensation and Governance Committee additional data on market trends and overall compensation design.

During fiscal year 2011, our independent auditor, Ernst & Young LLP, reviewed management's calculation of performance measures and the amount of the annual incentive awards to be paid to our executive officers as part of their audit of our consolidated financial statements.

Peer Group Analysis

The Compensation and Governance Committee utilizes compensation reports prepared by its independent outside advisor to aid in the determination of competitive levels of compensation for each of our executive officers. On an annual basis, the Compensation and Governance Committee determines the total compensation target for each of our executive officers. The Compensation and Governance Committee then sets the mix of the different components of compensation desired to achieve the total compensation target. From time to time, the Compensation and Governance Committee requests that its outside advisor benchmark the component totals to confirm that such amounts are within reason of our peer group. The Compensation and Governance Committee targets the 50th percentile in measuring competitiveness.

During fiscal year 2011, the Compensation and Governance Committee requested that Towers Watson review and, if necessary, update our then-current peer group list. Towers Watson evaluated the peer group list and proposed changes to the list in order to better align our company with other companies with similar characteristics to us. The Compensation and Governance Committee reviewed the proposed list with Towers Watson and after making appropriate adjustments, approved a revised peer group list for use beginning with fiscal year 2011. The peer group list for fiscal year 2011 consisted of the following companies: Alliance One International, Inc., Chiquita Brands International, Inc., Corn Products International, Inc., Flowers Foods, Inc., Lancaster Colony Corp., McCormick & Co., Inc., Ralcorp Holdings, Inc., Seaboard Corporation, Seneca Foods Corp., The Andersons, Inc., and Treehouse Foods, Inc. When we refer to the "market," we are referring to the peer group used during fiscal year 2011.

Stock Ownership Guidelines

The Compensation and Governance Committee believes it is important to align the interests of members of senior management with those of our shareholders. While the Compensation and Governance Committee considers this principle when determining the appropriate mix of base salary, annual cash incentive awards, and long-term equity awards, the Compensation and Governance Committee also established stock ownership guidelines that encourage the accumulation and retention of Common Stock.

Our current stock ownership guidelines, which were revised in fiscal year 2008 to set new, higher target levels for our executives, are expressed as a multiple of base salary, ranging from 2.5 to 6 times base salary. The Compensation and Governance Committee believes this methodology provides for greater individualization of ownership guidelines. The guidelines work in concert with the long-term incentive plan and are intended to foster strong executive ownership of our Common Stock. The Compensation and Governance Committee believes that it is important to achieve and maintain these guideline amounts as minimum target levels of ownership. The Compensation and Governance Committee continues to review compliance with our stock ownership guidelines on an annual basis.

Prior to the fiscal year 2008 revisions to our stock ownership guidelines, executives had to comply within five years from the later of April 1, 2005 (the date the guidelines were adopted) or the date of the executive's appointment to a qualifying position. When the Compensation and Governance Committee revised the guidelines in fiscal year 2008, the Compensation and Governance Committee granted our executives one additional year to comply with the new guidelines, and certain executives were provided additional time because they received recent promotions that resulted in higher ownership targets. The revised guidelines apply to our named executive officers in the following manner:

George C. Freeman, III	6 times salary
W. Keith Brewer	6 times salary
David C. Moore	5 times salary
William J. Coronado	3.5 times salary
Ray M. Paul, Jr.	3.5 times salary

Only shares beneficially owned (as defined by the Securities and Exchange Commission's rules and regulations) by our executive officers, excluding such executives' stock options, Performance Shares, and SARs, but including the executive officers' restricted stock unit awards (and corresponding dividend equivalent rights) are counted in determining compliance with the guidelines. The table below sets forth each of our named executive officers' 2010 holdings and value as compared to 2011 holdings and value.

	Shares held as of June 15, 2010 (#)	Value of Shares held as of June 15, 2010(1) ($)	Shares held as of June 15, 2011 (#)	Value of Shares held as of June 15, 2011(2) ($)
George C. Freeman, III	69,953	2,866,674	87,625	3,248,259
W. Keith Brewer	40,212	1,647,888	56,605	2,098,347
David C. Moore	43,835	1,796,358	51,071	1,893,202
William J. Coronado	25,062	1,027,041	28,776	1,066,726
Ray M. Paul, Jr.	37,161	1,522,858	38,413	1,423,970

(1) Based on $40.98 per share, the closing price of a share of our Common Stock as quoted on the NYSE on June 15, 2010.

(2) Based on $37.07 per share, the closing price of a share of our Common Stock as quoted on the NYSE on June 15, 2011.

Management's ownership targets are viewed as minimum targets to be achieved as soon as possible and maintained. Although none of our named executive officers, except Mr. Paul and Mr. Coronado, meet their ownership targets at the present time, each of our other named executive officers increased the number of shares of Common Stock owned during fiscal year 2011. The Compensation and Governance Committee considered the salary increases of our named executive officers in connection with promotions as well as the recent movement of our stock price. The Compensation and Governance Committee determined that it was satisfied that all of the named executive officers who are below their guideline share amount are making satisfactory progress in achieving their applicable stock ownership requirements. We expect that each of our named executive officers will meet or exceed the applicable guidelines within the applicable period of compliance.

In addition, the Compensation and Governance Committee adopted stock ownership guidelines during fiscal year 2008 applicable to the non-employee directors. Information with respect to the non-employee directors' stock ownership guidelines is set forth in "Non-Employee Director Stock Ownership Guidelines" on page 58 of this Proxy Statement.

Limitations on Deductibility of Compensation

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation of more than $1 million paid in any year (not including amounts deferred) to a company's chief executive officer and to the four other most highly compensated executive officers. The statute, however, exempts qualifying performance-based compensation from the deduction limit if certain requirements are met. In this regard, we have taken appropriate actions to maximize the deductibility of annual cash incentive awards, stock option grants, SARs, Performance Shares and restricted stock unit awards. For example, the vesting of certain restricted stock unit awards to Mr. Freeman in May 2010 were subject to Section 162(m) and therefore the Compensation and Governance Committee elected to defer payment until Mr. Freeman retires in order to preserve the Section 162(m) deduction. While our policy is generally to preserve corporate tax deductions by qualifying compensation over $1 million paid to executive officers as performance-based, the Compensation and Governance Committee may, from time to time, conclude that compensation arrangements are in our best interests and the best interests of our shareholders despite the fact that such arrangements might not, in whole or part, qualify for tax deductibility.

Clawback in the Event of Restatements or Ethical Misconduct

The Compensation and Governance Committee adopted a recoupment, or "clawback," provision during fiscal year 2008 that is applicable to cash incentive awards, as well as performance-based equity awards, beginning with all such awards for fiscal year 2008. The clawback provision applied to all awards made during fiscal year 2011. The purpose of the clawback provision is to authorize the potential recovery or adjustment of awards when the performance measures on which such awards were based are restated in a manner that would have decreased the amount of the award had the restated performance measure been used to calculate the original award, or when the award is otherwise deemed inappropriate by the Compensation and Governance Committee due to the occurrence of certain stated events. In the event of a material restatement of our financial statements, we may seek recoupment of incentive compensation and equity awards paid under our incentive plans for all relevant performance periods. In addition, the Compensation and Governance Committee also has the discretion to reduce or eliminate an executive's incentive compensation and equity awards or seek a recoupment of the same, in the event of ethical misconduct. The Compensation and Governance Committee will review all cash incentive payments, performance-based equity awards, and other performance-based awards that are made to all current and former officers on the basis of having met or exceeded performance goals. Appropriate action will be taken after considering all factors and circumstances.

2007 Stock Incentive Plan

The Compensation and Governance Committee, and subsequently our shareholders at our 2007 Annual Meeting, approved and adopted the Universal Corporation 2007 Stock Incentive Plan, which we call the 2007 Stock Incentive Plan. This plan replaced our 2002 Executive Stock Plan. The 2007 Stock Incentive Plan serves as the core program for the performance-based compensation components of our named executive officers' total compensation. The 2007 Stock Incentive Plan defines the incentive arrangements for eligible participants and:

- authorizes the granting of annual cash incentive awards, stock options, SARs, Performance Shares, restricted stock, restricted stock units and other incentive awards, all of which may be made subject to the attainment of performance goals approved by the Compensation and Governance Committee;

- provides for the enumeration of the business criteria on which an individual's performance goals are to be based;

- establishes the maximum share grants or awards (or, in the case of incentive awards, the maximum compensation) that can be paid to a participant in the 2007 Stock Incentive Plan; and

- prohibits repricing of options or stock appreciation rights without the approval of shareholders.

Components of Executive Compensation

The Compensation and Governance Committee targets a specific mix of compensation components, with the intent to make each component of total direct compensation competitive with other companies of similar size and operational characteristics while also linking compensation to individual and corporate performance and encouraging stock ownership by senior management. The major components of our executive compensation program are the following:

Total Direct Opportunity Compensation

- Base salary. Base salary is intended to reflect the market value of an executive officer's role and responsibility, with differentiation for individual capabilities and experience in their positions.

- Annual cash incentive awards. Annual cash incentive awards in the form of market competitive, performance-based, cash bonuses are designed to focus our executives on pre-set goals each year and to drive profitability, growth, and shareholder value.

- Long-term equity participation. Long-term equity participation is designed to recognize executives for their contributions to the Company, to highlight the strategic importance of each executive's role, to promote retention, and to align the interests of management and shareholders in long-term growth and stock performance by rewarding executives for the creation of shareholder value.

Total Indirect Compensation

- Other benefits.

- Retirement and other post-retirement compensation.

The tables contained in this Proxy Statement set forth amounts for these components applicable to the following executives, who served in the noted capacities at the end of fiscal year 2011: George C. Freeman, III, our Chairman, President, and Chief Executive Officer; W. Keith Brewer, our Executive Vice President and Chief Operating Officer; David C. Moore, our Senior Vice President and Chief Financial Officer; William J. Coronado, our Vice President; and Ray M. Paul, Jr., Executive Vice President of Universal Leaf, our main operating subsidiary. We refer to these five executives as our named executive officers.

In determining executive compensation, the Compensation and Governance Committee reviews all components of the Chief Executive Officer's and each other named executive officer's total compensation, including retirement benefits and the costs of all perquisites received to ensure such compensation meets the goals of the program. As a part of this review, the Compensation and Governance Committee considers corporate performance information, compensation survey data, the advice of its independent advisor, and the recommendations of management. The Compensation and Governance Committee also takes into consideration individual and overall company operating performance to ensure executive compensation reflects past performance as well as future potential and adequately differentiates between employees, based on the scope and complexity of the employee's job position, market comparisons, individual performance and experience, and our ability to pay. The Chief Executive Officer's performance is reviewed annually by the Compensation and Governance Committee prior to considering changes in base salary, annual cash incentive awards, long-term equity awards, and total direct compensation. The Chief Executive Officer's performance is evaluated in light of company performance (as described in greater detail below) and non-financial goals and strategic objectives selected by the Compensation and Governance Committee. Based on its review, the Compensation and Governance Committee believes total compensation for each of the named executive officers is reasonable and not excessive.

In addition, the Compensation and Governance Committee evaluates the amount of compensation apportioned to base salary, annual cash incentive awards, and long-term equity participation, which we refer to as total direct opportunity compensation. The Compensation and Governance Committee sets target levels for each component of total direct opportunity compensation based on its desire to link compensation to individual and corporate performance and to ensure that a sufficient amount of compensation is performance-based or "at risk." As an executive's responsibilities increase, the portion of "at risk" total direct opportunity compensation for the executive increases as a percentage of total direct opportunity compensation. The Compensation and Governance Committee set the following target percentages for the components of our named executive officers' total direct opportunity compensation for fiscal year 2012:

Base Salary	Cash Incentive Award