

Xylem Inc.  
Form DEF 14A  
March 28, 2018

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

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Xylem Inc.

(Name of Registrant as Specified In Its Charter)

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

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(3) Filing Party

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1 International Drive  
Rye Brook, NY 10573

Dear Xylem Shareholders,

Global water challenges remain urgent and persistent, but they are not insurmountable. At Xylem, we believe strongly in the ability of technology to greatly reduce the waste and inefficiency that plague the water industry and inhibit innovation. When we solve for these issues, we begin to see the potential for a world in which water issues are no longer a barrier to human health, prosperity and sustainable development.

That is our vision, and it is intrinsic to our business and growth strategy. Moreover, it is foundational to who we are and how we operate. We are committed to building a sustainable enterprise that is purpose-driven - one that creates both economic and social value.

#### Driving Sustainable Growth

Our key strategic priorities remain enhancing commercial excellence, growing in Emerging Markets, strengthening innovation and technology, building a continuous improvement culture, and cultivating leadership and talent development. We made notable progress against each during the past year and our continued execution against them will enable us to meet our long-term financial commitments and set the company on a path towards sustainable growth for years to come.

A key component of our progress continues to be a more direct integration of sustainability into our business strategies. This is reflected across multiple dimensions, from the significant reduction in our environmental footprint to our continued improvement in safety to our increased advocacy for sustainable water management strategies. These results have been recognized by numerous organizations and through our inclusion in multiple sustainability indices. Most recently, Xylem was ranked number 10 on Barron's inaugural list of The 100 Most Sustainable Companies.

#### Advancing Our Smart Water Strategy

Managing water resources presents unique challenges in all industries, and customers are seeking integrated solutions that increase the productivity of their operations. For example, water is the most capital intensive form of infrastructure, and utility operators are grappling with how to manage aging water infrastructure. We continue to invest in R&D focused on increasing energy efficiency and embedded intelligence, particularly in our market-leading brand franchises building upon their decades-long heritage of innovation. Working with our customers, we are developing technologies that drive out massive waste, transforming how critical water and infrastructure can be managed.

In 2017, we further advanced our strategy of being a leading provider of smart water technology solutions with both inorganic and organic investments. We completed our first year with Sensus in the Xylem family and that business contributed to our overall growth. Importantly, we accelerated the development of new solutions to address specific customer issues, already moving from the research lab to the pilot phase on certain solutions.

Our newly acquired businesses - Pure Technologies, EmNet and Valor Water Analytics - are part of a broad platform we're building to encompass a portfolio of analytics capabilities and technologies that address our utility customers' pain points and significantly improve the economics of their operations.

Pure is a leader in smart infrastructure assessment and management for the water industry, as well as critical energy infrastructure. Their diagnostic technologies can accurately assess the integrity of buried assets, enabling operators to optimize their maintenance and repair spending. EmNet's software-enabled solutions allow municipalities to manage their wastewater and stormwater systems, and Valor helps utilities translate data into actionable solutions to increase their revenue.

We expect these additions, along with our Sensus and Visenti businesses, to help us scale more quickly in data analytics and software-as-a-service - both areas experiencing rapid growth.

In addition, we invested in new innovation and technology centers of excellence and developed a more streamlined approach to product development globally, which is accelerating our new product pipeline. Last year, we increased our vitality index by 500 basis points to 24 percent. We're also continuing to build a broad-based ecosystem of partners to bring together ideas, capabilities and new products to help solve our customers' challenges and add value to their operations.

#### 2017 Business Results

Our focus on delivering solutions to our customers' water and resource challenges is reflected in our strong 2017 results. We generated four percent organic pro forma revenue<sup>1</sup> growth year-over-year, with improvement in each of our major geographies and across each of our key end markets, including a return to growth in the industrial market following two years of declines. Our investments in Emerging Market regions continue to bear fruit, with our businesses in China and India each delivering double-digit revenue and orders growth. During the year, we also continued our focus on increasing operational excellence, and we reoriented our sales and marketing efforts around vertical end markets, which helped to increase our bidding pipeline and fuel our topline results.

Consistent execution of our productivity initiatives delivered another year of record results with nearly \$150 million in continuous improvement savings, a 10-percent increase over the prior year. These savings drove a 30-basis-point expansion in our adjusted operating margin<sup>2</sup> after further investments in R&D, innovation and commercial initiatives to drive future growth.

We delivered reported earnings of \$1.83 per share, and adjusted earnings per share<sup>3</sup> of \$2.40, an increase of 18% year-over-year. We also had another year of strong cash generation, with Free Cash Flow up 41% over the prior year. In addition, we increased our dividend by 16 percent in 2017, and recently announced a 17-percent increase in the dividend for 2018.

#### Creating a Lasting Impact

Xylem Watermark, our social investment program, is a great example of how we activate our colleagues' passion for solving water. Over the past two years, our colleagues have volunteered more than 56,000 hours in water-related activities, working in their own communities and with our global non-profit partners. Our three-year goal is to log 100,000 volunteer hours in water-related activities by the end of 2018.

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1 Organic pro forma revenue excludes the impact of foreign currency translation and contributions from acquisitions and divestitures, but includes the results of the Sensus acquisition for 2016 prior to the acquisition by Xylem on

October 31, 2016.

2 Excludes the impact of purchase accounting for acquisitions.

3 Excludes the impact of restructuring, realignment, acquisition-related charges and other special items.

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One notable example of this commitment is our collective response to the hurricanes that wreaked havoc across multiple U.S. states and Caribbean islands in the fall of 2017. With each hurricane, our employees donated their own money to help with relief efforts. And we redirected more than \$1 million in Watermark funding and expanded our volunteer initiative to assist these communities in a very difficult time. We have sent multiple teams of colleagues to Texas to clean out houses destroyed by Hurricane Harvey and assist in the rebuilding efforts. Another team of volunteers joined our partner, Planet Water Foundation, in Puerto Rico to build water towers in remote areas of the island that had no access to clean water. You can read more about their story on our website.

In addition to employee engagement, we are increasingly leveraging Watermark as a vital source of innovation intelligence to address water issues for many of the most vulnerable communities. Working with external partners, we are able to better understand their needs and develop scalable solutions.

These examples, along with countless others that occur in the normal course of business each day, illustrate the purpose-driven culture we're fostering at Xylem. The significant progress we made in 2017 would not be possible without the dedicated individuals who come to work at Xylem each day to solve the world's water and resource infrastructure challenges. We couldn't be more proud to call them our colleagues. Together, we remain committed to solving these challenges and, in the process, create value for all of our stakeholders.

Markos I. Tambakeras  
Chair

Patrick K. Decker  
President & CEO





1 International Drive  
Rye Brook, NY 10573

Notice of 2018 Annual Meeting of Shareholders

March 28, 2018

Date and Time: Wednesday, May 9, 2018, at 11:00 a.m. ET

Place: Xylem World Headquarters  
1 International Drive, Rye Brook, New York 10573

- Agenda:
1. Election of ten director nominees named in the Proxy Statement.
  2. Ratification of appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2018.
  3. Advisory vote to approve named executive compensation.
  4. Advisory vote on the frequency of future advisory votes to approve named executive compensation.
  5. Shareholder proposal to lower the threshold for shareholders to call special meetings from 25% to 10% of Company stock, if properly presented at the meeting.
  6. Transact such other business as may properly come before the meeting.

Record Date: March 13, 2018

Mailing or Availability Date: Beginning on or about March 28, 2018, this Notice of Annual Meeting and the 2018 Proxy Statement are being mailed and made available to shareholders of record as of March 13, 2018. Your vote is important. You can vote your shares by Internet, by telephone or by completing and returning your proxy card or voting instruction form. Please see “Proxy Statement – Information About Voting” for details.

By Order of the Board of Directors,

Claudia S. Toussaint  
SVP, General Counsel & Corporate Secretary

Important Notice Regarding the Availability of Proxy Materials for the 2018 Annual Meeting:

Our 2018 Proxy Statement and Annual Report for the year ended December 31, 2017 will be available online at [www.proxyvote.com](http://www.proxyvote.com) and on our website at [www.xyleminc.com](http://www.xyleminc.com) under “Investors.”

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## Proxy Statement Summary

This Proxy Statement was prepared in connection with the solicitation of proxies by the Board of Directors of Xylem Inc. (“Xylem” or the “Company”) for the 2018 Annual Meeting of Shareholders (the “Annual Meeting”). Below are highlights of certain information in this Proxy Statement. We encourage you to read the entire Proxy Statement and 2017 Annual Report before you vote.

## 2018 ANNUAL MEETING OF SHAREHOLDERS

Date and Time	Record Date	Location
May 9, 2018 at 11:00 a.m. ET	March 13, 2018	Xylem Inc. World Headquarters 1 International Drive Rye Brook, New York 10573

## Agenda Items:

Proposal	Board Recommendation	Page Reference
1 Election of Directors	FOR	4
2 Ratification of the appointment of Deloitte & Touche LLP for 2018	FOR	10
3 Advisory vote to approve named executive officer compensation	FOR	12
4 Advisory vote on the frequency of future advisory votes to approve named executive officer compensation	1 YEAR	13
5 Shareholder Proposal: Special Shareholder Meeting Improvement	AGAINST	13

## CORPORATE GOVERNANCE HIGHLIGHTS

1 All Directors are independent except our CEO (90%)	1 Shareholders have the right to call special meetings
1 Independent Chair	1 No poison pill
1 Shareholder proxy access right	1 Board & committees conduct annual self-assessments
1 Regular engagement with shareholders	1 Majority voting with a Director resignation policy for Directors in uncontested elections
1 Senior executive & Director stock ownership guidelines	1 Company policy prohibits executive officers and Directors from pledging and hedging Xylem stock
1 Executive officers are subject to clawback policy	1 The Independent Directors hold regularly scheduled executive sessions of Board and each committee without Company management present
1 Overall Board and committee meeting attendance of 96% in 2017	
1 Declassified board, with all directors elected annually as of May 2018	

## SHAREHOLDER ENGAGEMENT

We value the views of our shareholders and we believe that building positive relationships with our shareholders is critical to our long-term success. To help management and the Board understand and consider the issues that matter most to our shareholders, we regularly engage with our shareholders on a range of topics related to strategic and operational matters as well as executive compensation and corporate governance.

See page 16 for more information on our shareholder engagement program.

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**COMMITMENT TO SUSTAINABILITY**

At Xylem, sustainability is at the very center of who we are and what we do. As a leading global water technology company, we deal with one of the world’s most urgent sustainability issues on a daily basis - responsible stewardship of our shared water resources. We believe that technology is a key link in how the world can solve water. We have a long history of innovation, but today, we’re focusing more than ever on the powerful capabilities of smart technology, integrated management and big data. These solutions will allow us to transport, treat, test and use water smarter - and more sustainably - than in the past. Our link to this enormous challenge informs how we think about sustainability and drives us to become a more sustainable company.

In 2017, we were rated by and named to several indices used to track performance of companies in measuring and reporting on their sustainability performance: the MSCI Global Sustainability Index Series, the FTSE4Good Index Series, the CDP (formerly the Carbon Disclosure Project), Euronext Vigeo Index: US 50, and the NASDAQ OM CRD Global Sustainability Index. In addition, Xylem became a signatory to the UN CEO Water Mandate. Xylem was also listed on the 2018 Forbes Just 100 and ranked number 10 on the 2018 Barron’s 100 Most Sustainable Companies list. These acknowledgments reflect the work we have done to advance sustainable business practices and to consistently report our progress over time. To learn more about our sustainability efforts, please view our annual Sustainability Report available on our website.

We encourage our shareholders to sign up for electronic delivery of proxy materials to help conserve natural resources (see page 51 for instructions). If you have feedback or questions on our Sustainability Report, please email us at [xylem.sustainability@xylem.com](mailto:xylem.sustainability@xylem.com).

**COMPENSATION HIGHLIGHTS**

(see page 28 for our Compensation Discussion and Analysis)

- A significant portion of our executive pay is performance-based and not guaranteed
- Compensation for our named executive officers (“NEOs”) is aligned with shareholder interests through a balanced and competitive equity program (mix of restricted stock units, performance share units and stock options)
- We conduct regular compensation benchmarking and an annual compensation risk assessment
- We have a cap on our incentive compensation payouts
- In 2016 we implemented a double-trigger change in control requirement for our long-term incentive awards
- Our Leadership Development and Compensation Committee is advised by an independent compensation consultant
- In 2017, as in prior years, we received strong support in our say-on-pay advisory vote (94%)
- Our policy, and recommendation to shareholders, is to conduct an Annual Say-on-Pay shareholder vote

2017 NEO Total Direct Compensation Mix\*:

\*Percentage of pay is based on annual target compensation (base salary, target annual incentive compensation and target long-term incentive compensation) and excludes any one-time awards granted upon hire.

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PROPOSALS TO BE VOTED ON AT THE 2018 ANNUAL MEETING

PROPOSAL 1 — ELECTION OF DIRECTORS

We are a global water technology company committed to developing innovative technology solutions to the world's water challenges. Our Board, through its Nominating and Governance Committee, regularly reviews the skills and experience needed to properly oversee the interests of the Company, taking into account the Company's short and long-term strategies. Our Board believes that the director nominees have the appropriate mix of experience, skills, qualifications and attributes needed to lead the Company at the Board level.

Xylem's Board of Directors - Experience, Skills, Qualifications & Attributes

Leadership Experience	Operational Expertise	Diversity of Thought & Background
Governance Expertise	Strategic & Growth Experience	Global Experience
Technology & Innovation Experience	Water Industry Knowledge	Sales & Marketing Experience
Financial Expertise	Risk Management Experience	Talent Management Experience

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All director nominees will be elected for a one-year term. Historically our Board of Directors was divided into three classes, however we began declassifying our Board in 2016 and it will be fully declassified following our Annual Meeting.

The Board has determined that each nominee, other than our CEO, Mr. Decker is independent from the Company and management. Each nominee brings experience, expertise and diverse perspectives that will contribute to the overall strength of the Board in its oversight role. Each of the nominees currently serves on our Board, and each nominee was elected by our shareholders with the exception of Ms. Beliveau-Dunn, who was appointed to the Board in the second half of 2017. Ms. Beliveau-Dunn was initially recommended by a third-party search firm retained by the Nominating and Governance Committee. Each nominee agreed to be named in this Proxy Statement and to serve as a Director, if elected. In the event that these nominees should become unavailable for election, the persons named as proxy will have the right to use their discretion to vote for a substitute, or the Board may reduce the number of Directors. For more information regarding director nominations and qualifications, see “Identifying and Evaluating Director Nominees” on page 18.

Below are summaries of the business experience and other qualifications of each of the nominees.

Our Board of Directors recommends that you vote  
FOR the election of each of the director nominees

Director Nominees

<p>Jeanne Beliveau-Dunn</p> <hr/> <p>Director since 2017</p> <hr/> <p>Age 58</p> <hr/> <p>Independent</p> <hr/> <p>Committees</p> <ul style="list-style-type: none"> <li>1 Finance, Innovation &amp; Technology</li> <li>1 Leadership Development &amp; Compensation</li> </ul>	<p>Ms. Beliveau-Dunn served as Vice President and General Manager of Services for Cisco Systems Inc., a global technology company that develops, manufactures and sells networking hardware, telecommunications equipment and other products and services, from September 2014 through March 2018. In this role she led the technical services strategy, innovation and operations group along with the Learning@Cisco business unit. Among her many achievements during her 22-year career at Cisco are the establishment of the Internet Business Solutions Group, leading the company’s global channels sales and global alliances team.</p> <p>Ms. Beliveau-Dunn is a leading voice on digitization and the workforce of the future, and a pioneer in cloud, software-as-a-service and collaborative knowledge systems, such as The Cisco Learning Network. She was recognized in 2015 by the National Diversity Council as one of the Top 50 Most Powerful Women in Technology and in 2017 by Connected World’s Women of M2M as a Trailblazer in IoT.</p> <p>In addition, Ms. Beliveau-Dunn served as President of the Board of the IoT Talent Consortium, a membership-driven non-profit organization, from 2016 through March 2018.</p> <p>Ms. Beliveau-Dunn brings extensive innovation and technology experience to our Board, as well as significant experience in international operations, business transformation and talent management.</p>
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<p>Curtis J. Crawford, Ph.D.</p> <hr/> <p>Director since 2011</p> <hr/> <p>Age 70</p> <hr/> <p>Independent</p> <hr/> <p>Committees</p> <p>1 Leadership Development &amp; Compensation (Chair)</p> <p>1 Finance, Innovation &amp; Technology</p>	<p>Curtis J. Crawford, Ph.D. has served as President and Chief Executive Officer of XCEO, Inc. since 2003. XCEO is a consulting firm specializing in leadership and governance. From 2002 to 2003, he served as President and Chief Executive Officer of Onix Microsystems, a private photonics technology company. Dr. Crawford served as both Chief Executive Officer (1998 to 2001) and Chairman (1999 to 2001) of ZiLOG, Inc., and also has extensive executive experience with AT&amp;T Corporation and IBM Corporation.</p> <p>Dr. Crawford brings significant experience in technological innovation and leading high-technology companies to our Board. He also provides expertise in the area of corporate governance. He is the author of three books on leadership and corporate governance and has more than 20 years of board experience. In 2011, Dr. Crawford was awarded the B. Kenneth West Lifetime Achievement Award from the National Association of Corporate Directors for his contributions to corporate governance and for having made a meaningful impact in the boardroom.</p> <p>Public Company Boards</p> <p>1 ON Semiconductor Corporation (1999-present); Chairman (1999-2002)</p> <p>1 The Chemours Company (2015-present)</p> <p>1 E.I. DuPont de Nemours and Company (1998-2015)</p> <p>1 ITT Corporation (1996-2011)</p> <p>1 Agilysys, Inc. (2005-2008)</p>
<p>Patrick K. Decker</p> <hr/> <p>Director since 2014</p> <hr/> <p>Age 53</p>	<p>Patrick K. Decker has served as President and Chief Executive Officer of Xylem since March of 2014. He joined Xylem from Harsco Corporation, a global industrial services company, where he was President and Chief Executive Officer since 2012. Prior to that, he served in a number of leadership roles for Tyco International’s Flow Control business, ultimately serving as President of Tyco Flow Control, a leader in industrial flow control solutions.</p> <p>Mr. Decker is a member of the Bipartisan Policy Center’s Executive Council on Infrastructure as well as the Energy and Environment Committee of the Business Roundtable.</p> <p>Earlier in his career, Mr. Decker held a number of progressively responsible financial leadership positions at Bristol-Myers Squibb Company, including nine years of service in Latin America and Asia. He started his career as an auditor for Price Waterhouse LLP, now PricewaterhouseCoopers, LLP. He currently serves on the advisory council for the Dean of the Kelley School of Business at Indiana University.</p> <p>Mr. Decker brings valuable global leadership experience, expertise in business operations and finance and extensive knowledge of the water industry to the Board.</p> <p>Public Company Boards</p> <p>1 Harsco Corporation (2012-2014)</p>

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Robert F. Friel has served as Chief Executive Officer of PerkinElmer, Inc., a multinational corporation focused on human and environmental health, since 2008. Mr. Friel joined PerkinElmer in 1999 and has held a variety of positions, including Executive Vice President and Chief Financial Officer, with responsibility for business development and information technology, in addition to his oversight of the finance function. Mr. Friel also served as President of Life and Analytical Sciences, and President and Chief Operating Officer.

Robert F. Friel

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Director since 2012

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Age 62

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Independent

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Committees

1 Nominating & Governance(Chair)

1 Audit

Mr. Friel is a seasoned executive and director with a long tenure at PerkinElmer and this experience has enabled him to manage his commitments particularly effectively. In addition, the timing of his appointments has helped him to manage the learning curve associated with each new role. Mr. Friel’s experience leading PerkinElmer and prior service as a director of CareFusion, a medical device company, has also facilitated his service as a director of NuVasive, a medical device company. Mr. Friel does not serve on the boards of any privately-held companies.

The depth and quality of Mr. Friel’s overall leadership and engagement with Xylem’s management and our Board continues to be exemplary, as reflected in the results of our Board’s annual assessments. In 2017, Mr. Friel attended over 95% of all board and committee meetings at each of Xylem, PerkinElmer and NuVasive (based on the information provided to us by each company).

Mr. Friel brings extensive experience in global technology industries as well as his strategic, financial and board leadership experience to our Board.

Public Company Boards

1 PerkinElmer, Inc. (2006-present); Chairman (2009-present)

1 NuVasive, Inc. (2016-present)

1 CareFusion, Inc. (2009-2015)

1 Fairchild Semiconductor, Inc. (2004-2009)

1 Millennium Pharmaceuticals, Inc. (2005-2008)

Victoria D. Harker

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Director since 2011

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Age 52

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Independent

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Committees

1 Audit (Chair)

1 Nominating & Governance

Victoria D. Harker is EVP and Chief Financial Officer of TEGNA, Inc. and former CFO of Gannett Co., Inc. TEGNA is the broadcasting and digital businesses company formed when Gannett split into two publicly traded companies in 2015. Prior to joining Gannett in 2012, Ms. Harker served as the CFO and President of Global Business Services of the AES Corporation.

Prior to joining AES in 2006, she held several key leadership roles including Acting Chief Financial Officer and Treasurer of MCI and Chief Financial Officer of MCI Group, a unit of World-Com Inc. Ms. Harker sits on the American University Advisory Council, and serves as a trustee on the Board of Visitors of the University of Virginia.

Ms. Harker brings to the Board extensive international business experience with a wide-ranging management and financial reporting background. Ms. Harker’s experience as a director for other public companies provides additional relevant experience in serving on

our Board of Directors.

Public Company Boards

1 Huntington Ingalls Industries (2012-present)

1 Darden Restaurants, Inc. (2009-2014)

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Sten E. Jakobsson	Mr. Jakobsson is the Former President and Chief Executive Officer of ABB AB, the Swedish subsidiary of ABB Ltd., a leading power and industrial automation company.
Director since 2011	During his nearly 40-year career at ABB, he held several key leadership positions, including Head of the North Europe Region and Executive Vice President of the Power Transmission and Distribution Segment. He retired from ABB in 2011. Mr. Jakobsson has served as Chairman of Power Wind Partners AB, a private company, since 2011.
Age 69	
Independent	Mr. Jakobsson brings to our Board extensive experience in managing global industrial organizations, including expertise in international sales, complex project execution and manufacturing operations.
Committees	Public Company Boards
1 Audit	1 SAAB AB (2008-present)
1 Nominating & Governance	1 Stena Metall AB (2006-2017) 1 FLSmidth & Co. A/S (2011-2017)

Steven R. Loranger	Steven R. Loranger served as Chairman, President and CEO of ITT Corporation, a global manufacturing company, from 2004 until his retirement in October 2011. He served as interim Chief Executive Officer and President of Xylem Inc. from September 2013 until March 2014. Mr. Loranger served as Executive Vice President and Chief Operating Officer of Textron, Inc. from 2002 to 2004.
Director since 2011	Mr. Loranger held executive positions at Honeywell International Inc. and its predecessor company, AlliedSignal, Inc. from 1981 to 2002, including serving as President and Chief Executive Officer of its Engines, Systems and Services businesses. Mr. Loranger is a Senior Advisor to the CEO of FlightSafety International and he serves on the Boards of the National Air and Space Museum, the Congressional Medal of Honor Foundation and the Wings Club.
Age 66	
Independent	Mr. Loranger brings an in-depth understanding of the Company's operations, as well as valuable institutional knowledge to our Board. He has extensive operational and manufacturing experience with industrial companies.
Committees	Public Company Boards
1 Finance, Innovation & Technology (Chair)	1 Edwards Lifesciences Corporation (2016-present)
1 Audit	1 FedEx Corporation (2006-2014) 1 Exelis Inc. (2011-2013) 1 ITT Corporation (Chairman) (2004-2011)

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<p>Surya N. Mohapatra Ph.D.</p> <hr/> <p>Director since 2011</p> <hr/> <p>Age 68</p> <hr/> <p>Independent</p> <hr/> <p>Committees</p> <p>1 Finance, Innovation &amp; Technology</p> <p>1 Leadership Development &amp; Compensation</p>	<p>Surya N. Mohapatra Ph.D. served as Chief Executive Officer and Chairman of Quest Diagnostics Incorporated, a leading provider of diagnostic information services from 2004 until his retirement in 2012. Dr. Mohapatra joined Quest Diagnostics as Senior Vice President and Chief Operating Officer in 1999. Prior to joining Quest Diagnostics, Dr. Mohapatra was Senior Vice President and a member of the executive committee of Picker International, a worldwide leader in advanced medical imaging technologies, where he served in various executive positions during his 18-year tenure. Dr. Mohapatra serves as a Director on the Board of Leidos, a science and technology company, and is a trustee of the Rockefeller University. He is also an Executive-in-Residence at Columbia Business School. Dr. Mohapatra brings to the Board his extensive international business experience and wide-ranging operational and strategic knowledge. Dr. Mohapatra has a strong technical background with an emphasis on Six-Sigma quality and customer-focused business practices.</p> <p>Public Company Boards</p> <p>1 Leidos Holdings (2016-present)</p> <p>1 Quest Diagnostics (2002-2012); Chairman (2004-2012)</p> <p>1 ITT Corporation (2008-2011)</p>
<p>Jerome A. Peribere</p> <hr/> <p>Director since 2013</p> <hr/> <p>Age 63</p> <hr/> <p>Independent</p> <hr/> <p>Committees</p> <p>1 Finance, Innovation &amp; Technology</p> <p>1 Leadership Development &amp; Compensation</p>	<p>Jerome A. Peribere served as President and Chief Executive Officer of Sealed Air, a global manufacturer of protective and specialty packaging for food and consumer goods from 2013 until his retirement in 2017. He previously served as the President and Chief Operating Officer of Sealed Air. From 1977 through 2012, Mr. Peribere held various leadership roles at The Dow Chemical Company (“Dow”), most recently as Executive Vice President of Dow and President and Chief Executive Officer, Dow Advanced Materials from 2009 through August 2012.</p> <p>Mr. Peribere currently serves on the Board of the SEI Center for Advanced Studies in Management at the Wharton School of the University of Pennsylvania. Mr. Peribere brings extensive leadership, global operations, strategy and integration experience to the Board.</p> <p>Public Company Boards</p> <p>1 Ashland Global Holdings Inc. (2018 - Present)</p> <p>1 Sealed Air (2012-2017)</p> <p>1 BMO Financial Corporation (2007-2014)</p>

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Continuing Members of the Board of Directors

Markos I. Tambakeras has served on our Board of Directors as Chairman since 2011. Mr. Tambakeras was Chairman, President and Chief Executive Officer of Kennametal, Inc. from 1999 until his retirement in 2005 and President, Industrial Controls Business, for Honeywell Incorporated from 1995 to 1999. He currently is Chair of the Board of Make-A-Wish Foundation International.

Markos I. Tambakeras

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Director since 2011

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Age 67

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Independent Chair

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Committees

1 Nominating & Governance

Mr. Tambakeras serves on the Board of Trustees of Loyola Marymount University and has served for five years on the President’s Council on Manufacturing. He was previously the Chairman of the Board of Trustees of the Manufacturers Alliance/MAPI, which is the manufacturing industry’s leading executive development and business research organization.

Mr. Tambakeras brings strong strategic and global industrial experience to the Board, having worked in increasingly responsible positions for several manufacturing companies, including leadership positions in South Africa and the Asia-Pacific area. In addition to his Board leadership experience described above, Mr. Tambakeras has an extensive background in international operations.

Public Company Board Experience:

1 ITT Corporation (2001-2013)

1 Parker Hannifin Corporation (2005-2011)

1 Newport Corporation (2008-2009)

1 Kennametal, Inc. (1999-2006); Chairman (2002-2006)

**PROPOSAL 2 — RATIFICATION OF APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our Audit Committee has appointed Deloitte & Touche LLP (“Deloitte”) as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2018. Deloitte has served as the Company’s independent auditors since 2011.

The Audit Committee periodically considers the rotation of the Company’s independent auditors, and in 2016 the Audit Committee conducted a comprehensive request for proposals from Deloitte and other large nationally recognized accounting firms with respect to the audit engagement. In conjunction with the mandated rotation of the independent auditor’s lead engagement partner, the Audit Committee was directly involved in the selection of a new lead engagement partner who began in 2016. The Audit Committee determined that the continued retention of Deloitte for 2018 is in the best interests of the Company and its shareholders.

The Audit Committee annually reviews and considers Deloitte’s performance of the Company’s audit. Performance factors reviewed include Deloitte’s:

- 1 independence
- 1 experience
- 1 technical capabilities
- 1 client service assessment
- 1 responsiveness
- 1 peer review program
- 1 report on quality
- 1 appropriateness of fees charged
- 1 industry insight
- 1 PCAOB inspection results

The appointment of Deloitte for 2018 is being submitted for shareholder ratification with a view toward soliciting the opinion of shareholders whose opinion will be taken into consideration in future deliberations. If the shareholders do not



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ratify the appointment, the Audit Committee will reconsider the appointment and also consider this fact when it appoints the independent auditors for the fiscal year ending December 31, 2019.

Representatives of Deloitte attended the regularly scheduled meetings of the Audit Committee in 2017.

Representatives of Deloitte are expected to be present at the Annual Meeting, will have the opportunity to make a statement, if desired, and are expected to be available to respond to appropriate questions.

#### Fees of Audit and Other Services

The aggregate fees for professional services rendered by Deloitte, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (“Deloitte and related affiliates”) for the years ended December 31, 2017 and 2016 were approximately as follows:

	2017	2016
	(In thousands)	
Audit Fees (1)	\$6,527	\$6,681
Audit-Related Fees (2)	85	110
Tax Compliance Services	1,075	1,769
Tax Planning Services	38	420
Total Tax Services (3)	1,113	2,189
All Other Fees (4)	3	6
Total	\$7,728	\$8,986

(1) Fees for audit services billed consisted of:

- Audit of the Company’s annual financial statements and internal controls over financial reporting;
- Reviews of the Company’s quarterly financial statements;
- Statutory and regulatory audits, consents and other services related to SEC matters; and
- Financial accounting and reporting consultations.

(2) Fees for audit-related services consisted of:

- Audits and other attest work related to subsidiaries (other than statutory audits) and employee benefit plans; and
- Other miscellaneous attest services.

(3) Fees for tax services consisted of tax compliance and tax planning services:

- Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred, to document, compute, and review amounts to be included in tax filings; and
- Tax planning services are services and advice rendered with respect to the tax impact of regulatory changes and proposed transactions or services that alter the structure of a transaction to obtain an anticipated tax result. Such services consisted primarily of tax advice related to intra-group structuring.

(4) Fees related to the Company’s subscription to research tools.

#### Pre-Approval of Audit and Non-Audit Services

Our Audit Committee pre-approves all audit and permissible non-audit services provided by the independent auditor. The Audit Committee has adopted a policy for the pre-approval of certain services provided by the independent auditor. Under the policy, pre-approval is generally provided for specific categories of audit, audit-related, tax and other services incremental to the normal auditing function. These categories include, among others, the following: employee benefit plan audits; acquisition and disposition services, including due diligence; audits of subsidiaries and other attest services unrelated to the consolidated audit; tax compliance and certain tax planning advice work; accounting consultations and support related to generally accepted accounting principles in the United States; and reviews and consultations on internal control matters.

Audit, audit-related and non-audit services which have not been pre-approved under the policy must be specifically pre-approved by the Audit Committee. In addition, if fees for any audit or non-audit services pre-approved under the policy exceed a pre-determined threshold during any calendar year, any additional proposed audit or non-audit services to be performed by the independent auditor must be specifically pre-approved by the Audit Committee. The



Chair of the Audit Committee is authorized to pre-approve audit and non-audit services up to \$100,000 on behalf of the Audit Committee between meetings, provided such decisions are presented to the full Audit Committee at its next regularly scheduled meeting. All audit, audit-related and non-audit services described above were pre-approved by the Audit Committee. The Audit Committee considers non-audit fees and services when assessing auditor independence.